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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

HEARINGS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY
HOUSE OF REPRESENTATIVES

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

H. R. 4420

(Superseding H. R. 3873)

A BILL TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO RELATING TO THE SALE OR OTHER DISPOSITION OF SURPLUS PROPERTY OF THE UNITED STATES

VOLUME 1

JANUARY 17, 18, 19, 20, 21, FEBRUARY 14, 16, AND MARCH 22, 1944

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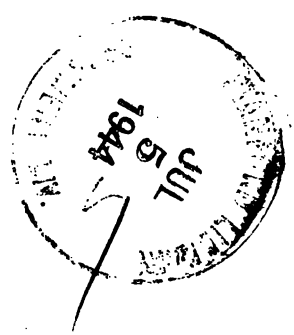

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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

MONDAY, JANUARY 17, 1944

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Brent Spence (chairman) presiding.

The CHAIRMAN. The committee has been called to consider H. R. 3873, relating to the disposal of Government-owned property. I called the committee together at the unanimous request of the Small Business Committee, headed by Mr. Patman, who has reported the bill.

We will now hear from Mr. Patman.

STATEMENT OF HON. WRIGHT PATMAN, CHAIRMAN, SELECT COMMITTEE ON SMALL BUSINESS, HOUSE OF REPRESENTATIVES

Mr. PATMAN. Mr. Chairman, with your permission, I would like to read a statement which has been prepared by and which meets with the approval of the Committee on Small Business of the House; then, at the conclusion, I will be glad to answer any questions I can concerning it.

The CHAIRMAN. You may proceed.

Mr. PATMAN. Mr. Chairman, as long ago as last summer, the War Department, the Navy, and other Federal agencies commenced the cancelation of scores of sizable contracts for war goods. By October, more than 10,000 such contracts had been canceled by the War Department alone. Since then, hundreds of additional firms have felt the cancelation ax.

The impact of these cancelations upon the business structure of the Nation is both unpleasant and painful to many businesses, especially to the smaller firms.

Fortunately, prompt action by the Director of War Mobilization has provided a clear policy for all agencies governing settlement of these terminated contracts so that a minimum of immediate financial discomfort will be had.

Of less obvious, but greater long-range significance, is the gradual accumulation of stocks of surplus war goods now beginning to appear on the market, principally as the result of these recent contract cancelations. These are but a forerunner of a great flood of surplus war goods which we may expect to be thrown into American trade channels in the months to come as the war approaches its conclusion. If we fail to properly estimate the importance of this surplus property

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problem, its great size in terms of billions of dollars, its possible disruptive effect upon existing business, both large and small, and if we fail to take adequate steps to control and facilitate its disposition in such a manner that the least possible harm accrues to existing business, we may soon find the Nation in the throes of the worst financial and business depression ever encountered in the Nation's history.

Because of this fear, the House Committee on Small Business, of which I have the honor to serve as chairman, addressed itself to a study of this surplus goods problem several months ago.

The Small Business Committee, whose members consist of Congressmen J. W. Robinson (Utah), Eugene J. Keogh (New York), Henry M. Jackson (Washington), Estes Kefauver (Tennessee), Charles A. Halleck (Indiana), Leonard W. Hall (New York), Walter C. Ploeser (Missouri), William H. Stevenson (Wisconsin), and myself as chairman, began its study of this problem with a series of public hearings to which were invited such agency chiefs as Under Secretary of War Patterson, Under Secretary of the Navy Forrestal, Admiral Land, and the Honorable Jesse Jones, Secretary of Commerce and Federal Loan Administrator. Other hearings gave the committee the views of several responsible businessmen who have been giving thoughtful consideration to this matter.

The testimony of these agency chiefs was especially helpful because it gave the committee a solid factual background for appraising the magnitude of the problem measured in terms of dollars and cents and in numbers and types of items involved.

On November 1, the Small Business Committee submitted to the Congress an interim report on the subject: The Control, Disposition, and Sale of Government-owned Surplus Property. Copies of that report and copies of the various hearings just mentioned have already been supplied to you gentlemen for your information and consideration.

I do not wish to presume upon the time of this committee to the extent that my remarks delay the presentation of relevant testimony by others in connection with the bill you are now considering (H. R. 3873) but I would like to recite for you a few historical and current facts, the study of which has caused the Small Business Committee to authorize me, by the committee's unanimous vote, to introduce the bill in question.

In the opinion of the Small Business Committee, the Federal Government, at the conclusion of the present war, will find itself in the possession of war surpluses having a total value of at least $75,000,000,000. These surpluses will take the form of raw, semifinished, and finished materials of every description, including manufacturing plants, machine tools, rolling stock, ships and planes, and real estate.

The disposition of these surpluses in an orderly fashion presents what has been termed by our committee as "The Nation's No. 1 post-war problem" and is one that requires advance planning and legislation for its control. It is my personal opinion that at least as much care should be exercised in the disposition of these surpluses as was taken in the original purchase of same. I might add that probably more care should be taken, if some tales that I have heard are verifiable.

At the end of World War I the Government found itself in possession of surplus war materials valued at from six to seven billion dollars. At that time, the Government had devised no plan for the orderly

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disposal of this surplus and consequently there was no central authority charged with the direction of the disposition of these vast stores of merchandise and other materials. As a result the whole program was in a chaotic state for more than a year after the signing of the armistice. New appointments and changes in procedures were constantly being made and no one knew what to expect next except a few shrewd speculators who seemed to have their fingers on the pulse of things. The profits of these speculators are a matter of record.

Mr. Charles H. Lipsett, publisher of the Daily Metal Reporter of New York, a recognized authority on this subject and the author of a book, United States War Surplus, 1917–24, was one of Mr. Baruch's assistants in the last war and is well qualified to discuss this historical background as well as anyone in the country. In a recent brochure on the subject, Mr. Lipsett has the following to say:

At the beginning each Federal department that had surplus war materials exercised its own discretion with respect to their disposal. As a result, these various agencies frequently competed with each other in the sale of similar commodities. Confusion was rampant because many minor officials, such as Government storekeepers, clerks, and petty officials stationed at arsenals, Army posts, and warehouses were given jurisdiction over surplus merchandise, and sold them without consultation, without the advice of businessmen and with little or no knowledge as to market conditions, price trends, or the possible effect that the sale of their particular merchandise might have at that particular time on private industry and on employment.

It not infrequently happened that large quantities of surplus materials were forced on markets that were already glutted and these sales were held despite the protests of industry and labor that were vitally affected by them. Many Army and Navy officers were placed in charge of war surplus even though they had little or no business experience nor even an elementary knowledge of the monetary value of the materials that they were authorized to sell.

In making sales to individuals or companies investigations were seldom made as to the character, responsibility, and acceptability of the buyer. As a result many fly-by-night firms sprang up over the country for the sole purpose of operating in Government surplus merchandise. Many of these individuals and firms had unsavory business records and were undesirable speculators whose sole purpose was to obtain the war surplus material for as little as possible, and to resell it at huge profits. Since many such transactions were surrounded with suspicion, legitimate businessmen were reluctant to compete with such irresponsible individuals.

METHODS OF SALES USED AT END OF WORLD WAR I

In disposing of the last war's surplus different methods were employed among which were the following: Sales at a fixed price; sales through private negotiation between the Government representative and the prospective buyer; sales through sealed bids; and sales through public auction.

The method of selling at a fixed price resulted in so many abuses that it was soon discontinued. Under the procedure the officer in charge of a department determined what in his opinion constituted a fair price for the merchandise. The merchandise to be offered for sale was not advertised with the result that such transactions fostered not only dissatisfaction but suspicion.

Under the negotiated sale method the Government representative, after various negotiations with prospective buyers, would determine what the price should be and then sold it to the individual or firm willing to pay that price. This method was open to such abuses that as a result of numerous and well-founded complaints it too was eventually discarded.

The plan of selling through sealed bids entailed the following: The material to be offered for sale was graded, properly cataloged and the catalogs distributed to prospective buyers in that line of business who were required to file sealed bids for the purchase of the material. This system proved more workable and also less susceptible to abuse than the two preceding ones outlined but, it too lacked the vital element of personal competition since no one was supposed to know what his competitor or competitors were bidding. As a result, the spread in price between different bidders for the same article was astounding. Not infrequently,

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circulars requesting the submission of bids were sent out either through error or with evil intent to wrong industries.

Because of the unsatisfactory results of the three methods outlined above many Government departments and agencies began to use the auction method of selling surplus merchandise. The merchandise was graded and cataloged and prospective bidders were invited to come and bid at a public auction. To test the merits of this method as against sealed bids, the Navy Department offered identical material for sale through sealed bids and then reoffered the same material at public auction. A careful check of the highest prices bid under each system revealed that the Government had realized a far greater return under the auction method than through sealed bids. Because of the open and aboveboard method of buying at public auctions there were fewer opportunities for sharpers or attempts to put through deals to the disadvantage of the Government. In time the public auction method of selling war surplus attracted reputable manufacturers, jobbers, and leading department stores as buyers.

Among the several congressional committees appointed immediately following the last war to investigate war expenditures and sales of war surplus, was the Graham committee, a select committee of the House, which held hearings early in 1919. In one of its reports the committee said:

"* * * The subcommittee is of the opinion that many sales were made by the Surplus Property Division without complying with the statutory provisions relative to advertising for bids.

"In many cases they were made without any real competition, and in many instances by simple negotiation, perhaps orally, between someone in the Department and some purchaser who desired the material. * * * On numerous occasions settlements of alleged claims for failure to comply with the sales contracts were adjusted in an informal way, but involving large sums of money. Such practice cannot help but be dangerous and unsafe.

"The laxity of the rules relative to the declaration of sales of surplus property that obtained in the War Department, is responsible for many of these things. The above is simply one of the hundreds of similar instances which occurred daily in the War Department."

In restrospect the floundering by Government officials at the conclusion of the First World War in the methods of disposing of surplus merchandise cost the Government millions of dollars and nearly ruined many an industry. This situation was the sequence to a disorganized procedure owing to the absence of a well-thought-out plan that would have taken into consideration the various factors, industrial, economic, and social in planning the disposal of this merchandise. The unbusinesslike disposal of war surplus during 1918–21, while not responsible for the depression of those years, certainly was a contributing cause since this surplus competed at the most imopportune time with commercial merchandise and the panic was unnecessarily prolonged.

The lack of a unified policy at the conclusion of the First World War created not only confusion but keen competition among the various Federal agencies which disposed of surplus materials both in this country and other parts of the world. As an illustration of what transpired, was the sale of our war surplus that was located in France to the French Government for approximately $400,000,000. The actual cost of the material that was sold was many times that amount (close to $2,000,000,000). By selling this material to the French Government it was hoped to benefit the French public. However, French officials immediately resold a good portion of this material to American speculators for fractional part of its value and these speculators in turn shipped the material back to the United States to compete in our own markets. There is even some doubt as to whether the French Government ever paid the United States the $400,000,000. A repetition of such incidents must not be permitted and the only effective means of preventing a recurrence of such experiences is a coordinated plan for handling all our war surplus in every part of the world by a centralized body, authorized by congressional action, to handle all such Government-owned surplus property.

This ends the quotation from Mr. Lipsett.

Now let us look at the current situation and see just what methods are now being employed by the Government 25 years later.

First, however, let us once again recall that the total cost of the First World War was only about $22,000,000,000 and that the surplus war materials resulting therefrom were valued at only about $7,000,000,000. For the current war, Congress has already appropriated or

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authorized $344,000,000,000, or nearly 15 times as much as the total cost of the First World War.

It took us about 6 years to liquidate the various surpluses after the last war. On that basis, it may require from 10 to 15 years to effect an orderly job of liquidation after this one, if we are to preserve the proper economic balance and not permit actions which will disrupt the current operations of existing business in all lines.

Today, I regret to report, the Government is using the same haphazard methods which brought near chaos to our economic structure in the early twenties.

Mr. BROWN. This $7,000,000,000 that you included in surplus, does that come off of the $22,000,000,000 as the cost of the first World War?

Mr. PATMAN. Yes; the 22 billion paid for that 7 billion. But, of course, we did not get any 7 billion for that, Mr. Brown. That is the value of the materials and supplies, the cost to the Government, but not what the Government received. The Government only received a small part of that.

Mr. SMITH. Is not there an error there in the cost of the First World War to the Government?

Mr. PATMAN. Of course I can see where there could be a dispute about that, but that is the actual cost of the war, without reference to other things.

Mr. SMITH. I do not know, but that cost, as I have seen it, runs beyond $30,000,000,000.

Mr. PATMAN. Let me get up the figures that I base this on. I will not dispute with you about what the cost of it was, but, anyway, it is only about one-tenth of what this war has cost, or has been authorized, so far.

Mr. SMITH. The public debt went from $1,200,000,000 up to $26,000,000,000, and a good part of the war was paid for in taxes, and it is my impression the total cost was around about $36,000,000.

Mr. PATMAN. I would rather get up just the war items.

Mr. SMITH. I do not mean that has any reference to your proposal, at all.

Mr. PATMAN. That is right. We are just mentioning the 22 billion as the actual war cost. But I do not believe that is so material that we should take it up right now—do you, Doctor?

Mr. SMITH. No; I do not. I was just mentioning it as a matter for the record.

Mr. PATMAN. All of the methods mentioned by Mr. Lipsett as proving unsatisfactory during that period are again being used today, Apparently as many agencies and as many officials, ill-equipped by previous training, are handling the problem today as did so 25 years ago.

The investigating staff of the Small Business Committee has made a very complete study of these present methods and their resulting applications. The reports of these investigators have been held confidential to date for obvious reasons, but I feel that it is appropriate to reveal certain high lights from their reports, omitting only the names of the persons involved. Our committee feels that the results of these staff investigations are relevant to your consideration of this subject.

For example, the War Department has issued a Procurement Regulation, known as PR No. 7, which supplies all branches of that depart-

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AMEND RECONSTRUCTION FINANCE CORPORATION ACT

ment with specified procedures covering the disposal of all materials declared surplus to the needs of the Army. This regulation is far too long and too complicated to permit its being read at this time. It covers scores of pages of closely printed type.

Under this regulation, however, to all practical intents and purposes, the War Department has the option of either selling its surpluses itself or of turning them over to the Procurement Division of the Treasury Department for disposition. There are provisions in this regulation which call for the submission to other agencies of lists of these surplus items for their consideration before sale of same by the War Department. There are other provisions, however, which excuse an officer for having sold surplus items without notification to other agencies or other interested buyers.

The results of some of these sales and the procedures which were utilized in making them, have been examined in considerable detail by our investigating staff and it must be stated very frankly that they do not reflect credit either upon the War Department or the interested persons who participated in them. One of these sales, commonly known as the Detroit tool sale, is now a matter of public record, having been gone into thoroughly by the Truman committee.

More than a year ago, an Executive order was issued assigning the responsibility to the Bureau of the Budget for locating and declaring surpluses. That agency was directed to study the inventories of the various agencies and when surpluses were located, was authorized to instruct the delivery of same by the agency in question to the Procurement Division of the Treasury Department for disposition under the rules and regulations of that Department.

The Bureau of the Budget advises that, under the terms of this Executive order, it has met with very little success in uncovering or directing the diversion of surpluses in the possession of either the War or Navy Department. As we all know, it is a very difficult thing for a civilian agency to win an argument with the military in these times. In the case of surplus materials, the military seem to control their own decisions to date.

There have been a number of cases, however, where surplus items have been turned over to the Procurement Division of the Treasury by both the War Department and the Navy Department, as well as by other agencies. The dollar volume and the number of items thus turned over have not been small. Scarcely a day goes by now which does not find each one of the regional offices of Treasury Procurement, scattered all over the Nation, holding a sale of hundreds of items declared surplus to it by the various agencies.

Because the Executive order assigned this responsibility to Treasury Procurement and because the largest visible volume of surpluses apparently is sold by that agency, our investigating staff was instructed to make a special study of the operations of Treasury Procurement in this respect.

That agency, I regret to report, from the ex parte investigation made to date, is apparently doing a very poor job. During the month of December it sold thousands of items of chinaware, declared surplus by the War Department, items which were brand new and still in their original packing boxes—it sold these items to firms bearing such illuminating titles as Marine Junk Co., Army Salvage Co., etc., at an

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average of 8 cents per item. It did this on almost the same day that the Navy Department was awarding a contract to a pottery manufacturer for 110,000 pieces of the same identical item at a price of 18 cents apiece. This represents a direct cash loss of 10 cents per piece to the Federal Government.

Treasury Procurement has, and offers for sale from time to time, to those who have been fortunate enough to learn of the existence of the item, such things as copper wire and other controlled materials, items which, when purchased through regular trade channels, can only be secured by virtue of a very high assigned priority rating, or prearranged allocation. A gentleman testified before our committee only last week that Treasury Procurement had just sold thousands of brass ballcocks, an item badly needed by the legitimate plumbing trade. These ballcocks are now available due to a W. P. B. limitation order forbidding their manufacture by regular manufacturing sources. His testimony was to the effect that these scarce items went to interests which he termed "speculative".

A short time ago, when the Army Service Forces were scouring the Nation for all useable draglines for shipment to Great Britain for coal strip mining purposes, the Panama Canal declared as surplus to Treasury Procurement some draglines which were fit for this purpose. A speculator told our investigating staff that he was offered these draglines by Treasury Procurement at a very low price, but not having the time to go to Panama to examine the equipment, he passed up the deal. He said that, as a patriotic act, he passed this information along to friends of his in the Army Service Forces and that he was advised that the equipment was promptly acquired by that agency for shipment to England.

I could go on and recite to you a score of similar instances, but I do not wish to take up too much of the committee's time at the moment in so doing. Possibly, later, if other witnesses have not supplied you with sufficient evidence of this type, I may request permission to insert in the record other examples of this sort.

Gentlemen, H. R. 3873 is designed to do away with just such examples of uncoordinated and senseless Government action.

Briefly, it centralizes the control, disposition, and sale of all Government surpluses, not specifically adopted to further Government use, or otherwise covered by certain contract provisions, in the hands of one existing agency, the Reconstruction Finance Corporation.

That agency needs no introduction to this committee or to the American public and no words of praise from me can add to the high regard in which that agency is held by those who have followed its operations for many years past.

Under that agency is now held in fee simple the largest single block of Government assets which will be considered as surplus at the conclusion of this war. I refer to the many plants, the tremendous volume of machine tools, the vast quantities of critical raw materials, amounting to upward of $25,000,000,000, now held by the R. F. C. and its various subsidiary corporations such as the Defense Plant Corporation, Defense Supplies Corporation, and others.

For many months, now, that agency has been aware of its ultimate responsibility for the orderly and equitable disposition of the assets held by it after the war. I am advised that its thinking and planning along these lines has already passed the blueprint stage. What is more logical than to turn over to that well-equipped organization the

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responsibility for the proper disposition of the surpluses of other agencies not held immediately requisite to the military needs of the Nation?

All that is lacking, in the opinion of the Small Business Committee, is the proper delegation of authority by the Congress to such an agency to do the job. Coupled with this, however, there should come a statement of those broad principles and policies which should govern the agency, or any agency, in the handling of such a gigantic task.

The determination of these principles and policies is the duty of the Congress.

The administration and the delegation of the detailed responsibility for carrying out the provisions of the trust should be vested in some executive agency, however; and that agency should be one which has already stood the test of time and proved itself worthy of such a delegation of confidence. In our opinion, the Reconstruction Finance Corporation is best fitted to do this particular job.

We all recognize that it would be an impossible task for the Congress at this time to wait upon the compilation of vast piles of statistics to show just where these estimated surpluses would appear and in whose hands the responsibility for them would rest under present arrangements. We all know now that these surpluses will not only appear, but have already appeared, and that the visible supply of them is growing larger daily.

The Congress, in our opinion, has a responsibility to take cognizance of this situation now and it should not wait until some agency or group of agencies makes a lengthy detailed statistical study of this phase of the matter. The principal concern of the Congress is to select one central agency, to give it broad authority, and to lay down specific principles which shall guide it in its operations. That is all that Congress can, or should do, as we see it. The detailed procedures must be written within the agency and in consultation with its advisers from legitimate industry circles.

With this in mind, let me read very quickly the six broad principles which are contained in H. R. 3873 and let these principles speak for themselves. The bill says as follows:

(b) The Corporation shall appoint an advisory committee for each class of property which is to be sold or leased. The members of such advisory committee shall be appointed from among persons who, by reason of their business experience, are familiar with the handling and marketing of such class of property, or similar property. It shall be the duty of the Corporation, in selling or leasing surplus property, to consult with the appropriate advisory committee or committees so appointed as to the price, time, method, and manner of disposing of such property.

(c) In the sale or lease of surplus property pursuant to this title, the Reconstruction Finance Corporation shall, so far as practicable, be governed by the following considerations:

(1) Distribution of such property should be through established trade channels.

(2) The acquisition of large quantities of such property for speculative purposes should not be permitted.

(3) The prices at which any particular property or class of property is sold or leased should be uniform.

(4) Such property should be sold or leased at prices low enough to facilitate the disposition thereof, but high enough to enable the United States to secure a fair return therefor.

(5) The sale or lease of such property should be at a rate which will not unduly disrupt trade and commerce.

(6) The sale or lease of such property should take into consideration the need for facilitating and encouraging the establishment in the various communities in the several States by members of the armed forces of the United States upon their discharge or release from active duty, as well by others, of small business enterprises and with a view to strengthening small business enterprises.

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(d) The sale or lease of surplus property shall be in accordance with such regulations as the Board shall prescribe regarding the times, places, quantities, and terms and conditions of the proposed disposition of such property; and such regulations shall require advertising for competitive bids except in such cases and with respect to such property as the Board determines that sales or leases by competitive bids would be contrary to the public interest.

In conclusion, gentlemen, let me leave this one thought with you and let me emphasize it with a few cold and irrefutable facts:

The rise in business failures after the last war is a matter of record. The decline in commodity prices maintained a curve of decline in almost exact ratio to the rising curve of business failures during that period.

Immediately after the last war, we enjoyed a prief period of continued prosperity. This was soon followed, however, simultaneously, with the indiscriminate "dumping" of the vast surplus stocks of Government-owned goods, by a period of a serious business depression. I do not attribute that depression altogether to the manner in which this surplus property was sold, but I do maintain that this was a considerable factor in the creation and continuance of that depression. Today, when we can anticipate the disposition of surpluses totaling nearly 12 times those sold after the last war, we might well stop and give consideration to the following figures taken from the files of Dun & Bradstreet.

The total number of business failures, as reported by that agency for the years 1918, 1919, and 1920 was 25,314. The failures beginning in 1921, when prices started slumping the latter half of that year, and ending with 1923, were 62,046, an increase of 140 percent.

During the years 1918, 1919, and 1920, the business losses for those 3 years combined were $571,434,000. During the 1921–23 period, business losses were $1,790,683,000, or an increase of approximately one and one-quarter billion dollars for the latter period.

To me, gentlemen, the lesson is there for us to read.

It is not too soon for us to give serious thought to this vital question. If we fail to see its significance and if we fail to act to prevent a recurrence of what took place a little more than 20 years ago, the responsibility will be ours and we must accept it.

I thank you for your kind consideration.

Mr. FORD. Mr. Patman, in your study, have you taken into consideration the fact that there are quite a number of firms that have had contracts canceled and have been left with a large quantity of the goods involved in the cancelation?

Now here is what seems to have happened: The W. P. B. steps in and while the Navy says, "Go ahead and sell them," the W. P. B. steps in and says, "You cannot sell them," and there they are. They are stuck with this surplus that the Navy cannot use or the Army cannot use, and the W. P. B. won't let them put it on the market that would absorb it at this time.

Have you looked into that particulary?

Mr. PATMAN. That has been considered, Mr. Ford.

Mr. FORD. Is there anything in the bill about that?

Mr. PATMAN. There are several ways that can be handled. Of course, one way is if the Government is going to pay a profit on the merchandise——

Mr. FORD. They have not paid anything on this, a profit or anything else; they have just simply frozen it and the fellow has it hanging there.

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Mr. PATMAN. That has happened, you know, especially in the case of strategic and critical materials.

Mr. FORD. I happen to know of a single, particular case where a concern, that had had no experience in that type of manufacture, contracted with the Navy to make what they call power scooters. When the Navy had all they wanted, they quit and these fellows have about 640 of them left and W. P. B. says they cannot sell them. They could sell them if they could get them released, and I think there ought to be something in this bill directing W. P. B., in instances of that kind, to give a release.

Mr. PATMAN. I recommend a special study of that particular case, because that is likely to involve many things besides surplus property, such as critical materials that could be used for other purposes.

Mr. FORD. These materials are no longer critical, because they have been fabricated.

Mr. MONRONEY. But you do not want to sterilize finished goods that the Navy does not need, and that civilians do need, just because the War Production Board cannot untangle their red tape?

Mr. PATMAN. You see, this only involves Government property. If I understand you correctly, this property is not Government property.

Mr. FORD. It would have been Government property if they had not canceled the contract. Now the Government has not got it, but this property bedevils them out there. They are holding the bag and the banks are holding the bag.

Mr. BROWN. That ought to be met by a separate bill, I think; but I think this bill covers the general situation very nicely.

Mr. PATMAN. There are other bills covering contracts involved in terminations, and just how to adjust the equities between the parties and the Government I do not know.

Mr. FORD. There is a contract termination date for what they have taken, but here is a concern that has a lot of stuff that the Navy won't take and the W. P. B. won't let them sell it, although they can sell it in 10 minutes if they could get a release.

Mr. PATMAN. I respectfully suggest that is not involved in this bill, because we only refer to surplus Government property.

Mr. FORD. It is indirectly and, if we are going into this, I think that ought to be taken care of in this particular measure. And when the proper time comes, I am going to try to have it taken care of.

Mr. GIFFORD. Mr. Patman, are you familiar with the bill that the Committee on Expenditures has been considering?

Mr. PATMAN. I know the Committee on Expenditures submitted to the House several months ago a bill involving certain surplus property, but it was not an over-all bill, the way I understood it.

Mr. GIFFORD. Well, that committee has the matter under consideration. I am a member of that committee——.

Mr. PATMAN. It only involved certain small items.

Mr. GIFFORD. Oh, yes; but we thought it wise to report that portion only at the moment.

Mr. ROLPH. Was that bill enacted into law?

Mr. PATMAN. No; it is in the Senate, I think.

Mr. GIFFORD. Yes; it is in the Senate. It passed the House.

I wish to know why this bill comes to this committee.

Mr. PATMAN. Well, the Parliamentarian could give you the information about that, but I think it logically belongs here.

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Mr. GIFFORD. But you engineered it, no doubt?

Mr. PATMAN. I hope the gentleman does not object to its being considered by this committee.

Mr. GIFFORD. Oh, no; but the R. F. C. are very busy men; they are pretty busy now, and they have a lot to do.

Mr. PATMAN. How is that?

Mr. GIFFORD. The R. F. C. is quite a busy corporation already.

Mr. PATMAN. The bill that passed the House, if I remember correctly, involved the making of a statistical study of the different things that would be declared surplus. I do not think it provides for the disposition of surplus property. Am I right about that, or not?

Mr. GIFFORD. Surplus property, but real estate is entirely out of the picture. But there is another bill before that committee to take it up later, as you remember.

Mr. DILWEG. It was to study and report back to Congress.

Mr. PATMAN. It was to gather the available information.

Mr. DILWEG. And there was a specific time limitation when they would have to make a report on that study.

Mr. PATMAN. I do not recall, Mr. Dilweg.

Mr. GIFFORD. Do you recall what branch of the Government wanted to control the disposal of all surplus property?

Mr. PATMAN. I do not know; I imagine several agencies.

Mr. GIFFORD. Well, the Bureau of the Budget state they are the proper ones to have this job.

Mr. PATMAN. But I think the Congress should declare the policy.

Mr. GIFFORD. They say they should declare the regulations, rules, and so forth, and the Procurement Division should have the work. And it was thought by our committee that it would be a tremendous job for the Navy and the Army and, at least until the war is over we should not expect a board to dictate to them in the slightes degree as to how they should handle their property which they want to transfer here and there to save losses, and so forth, and we did not want to hamper them during the war by having an outside agency dictating any policies or terms. And do not you think this is a little early?

Mr. PATMAN. Under the terms of this bill, the War Department would declare which was surplus and which was not surplus, but if it were surplus, of course, the provisions of this bill would apply.

Mr. WOLCOTT. That may be so. The telegrams that I have received have been from the automobile people. They are the ones that are disturbed.

Mr. PATMAN. They are just one among many. Naturally, they would be disturbed if their business was going to be destroyed.

Mr. WOLCOTT. I had a great batch of those telegrams from no one else.

Mr. FORD. They are disturbed because they do not want a lot of Government automobiles thrown on the market for a song at a time when they are not going to make new automobiles.

Mr. GIFFORD. I understand that. They are the ones that have written me.

Mr. PATMAN. They were the first victims of the war, you might say, and I think that they acted mighty well. They did not object. They went right ahead and thev have done the best that they could.

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Mr. GIFFORD. You say in your statement that after the last war we sold some $400,000,000 of materials to the French people and you say that you do not know whether we ever got the money for it or not. Why do you say that?

Mr. PATMAN. I was quoting from Mr. Lipsett, Mr. Gifford.

Mr. GIFFORD. I have quoted that myself many times.

Mr. PATMAN. My own statement would be that we did not get it. I do not think we got the money.

Mr. GIFFORD. I would like to know now whether you looked into that. I have stated that speculators bought in France and reshipped to this country.

Mr. PATMAN. As evidence—if you will excuse me a moment—that this problem is urgent, I have here an advertisement that appeared in the Journal of Commerce and Commercial, New York, Monday, January 10, 1944. The first advertisement reads: "Liquidation of Government Surplus."

That is the heading.

Billions in merchandise, machinery, textiles, foods, and plants will be liquidated after the war.

Millions in merchandise available now. Vast potentialities make it imperative that I meet with principals who have knowledge of merchandising and are financially responsible.

For the last 6 months we have been ascertaining possibilities, and are now ready and qualified to meet with proper associates for the establishment of New York offices.

Communicate with

SURPLUS & SALVAGE SALES CO.,
Woodward Building, Washington, D. C.

Another advertisement is:

GOVERNMENT SURPLUS MERCHANDISE

Pea soup.—500,000 pounds, F. S. C. STANDARD specifications, dehydrated.
Concentrated orange juice.—25,000 gallons 1943 crop.
Pea beans.—75,000 one-hundred-pound bags, No. 3, Indiana.
No priorities. No points
Prices less than ceiling

For Information

SURPLUS & SALVAGE SALES CO.,

Woodward Building, Washington, D. C.

Mr. ROLPH. I know that in California there was a concern trying to sell a lot of dehydrated carrots, and they could not get the Government to buy them. Perhaps these items are similar to that.

Mr. GIFFORD. Do you not think that Congress itself can formulate policies, rules, and regulations for each department having surplus property, and have it laid out so that they could perform? Why take it away from the Army and the Navy, who have it in hand and will be hamstrung in a way, and this board will have to send its collectors to check everything they have. I cannot believe that the Navy should not be the ones who should handle it, because they are better informed than the board.

I do not know who the Chairman of the Defense Corporation is, but you would overwork the other members of the Cabinet somewhat on this, and you say that you want three men who are familiar with merchandising. Frankly, real estate is my great concern.

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I notice from your statement that you say that they shall be disposed of, but must name a price so that they can sell it, but that the Government must get a fair price.

Mr. PATMAN. That means orderly distribution, the way I construe it.

Mr. GIFFORD. That is a very convenient statement. Anybody could crawl through that loop.

Mr. ROLPH. Do you not think it would be very much better to have all the sale of this merchandise in one committee, one group, rather than the Navy do it and the Army do it and the War Production Board and all the rest?

Mr. GIFFORD. I cannot believe that this Board can send people all over the world to look at what the Army has got, what the Navy has got, when the Army and the Navy already know what they have got. You can name the way to dispose of it by certain rules and regulations. We can say that they will have to dispose of it at a price so that they can sell it, but at a price that will be fair to the Government. We can easily say that to any agency.

Mr. ROLPH. It seems to me that we should have these lots of merchandise entered under one head rather than have the Army doing it and the Navy doing it.

Mr. GIFFORD. I have seen nothing but centralization for the last several years, and I would like to see some decentralization rather than centralization. With this vast amount of property everywhere all over the world, the ones involved who built it, who know about it, are the ones that should dispose of it under regulations made by Congress. It should not be handed up to somebody else and you could come back and say that the O. P. A. has not done very well.

Mr. PATMAN. Mr. Gifford, may I suggest that after the last war that is exactly what happened, and the agencies were competing with one another. So it was discovered to be a very unsatisfactory method of disposal of war surpluses. We had that experience.

Mr. GIFFORD. That may have happened. Now we should find the right way to do it.

Mr. PATMAN. We know that that was not the right way.

Mr. GIFFORD. This is not the right way, to my mind, by centralizing a new board like this with all of this vast property so that everybody will have to wait upon them.

Mr. PATMAN. It creates no new agency.

Mr. FORD. Do you not recall that at the early stages of the war the various departments were competing with one another for the purchase of these things, and by reason of that competition very often they paid more for things than they should have paid. That will work exactly the same way in the disposition of the property. Each department will try to get rid of its load and in desperation get rid of it at any price that they can get. I am inclined to disagree with Mr. Gifford.

Mr. GIFFORD. You always do.

Mr. FORD. No; I do not.

Mr. GIFFORD. I am a little prejudiced.

Mr. FORD. Why not put this under the Bureau of the Budget?

Mr. GIFFORD. Not unless you put the Bureau of the Budget under the Congress.

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Mr. FORD. Congress can make rules and regulations governing the Bureau of the Budget the same as any other department. The Congress can make general rules which they will have to follow.

Mr. GIFFORD. I do not think so, these days.

Mr. PATMAN. The committee deals with the R. F. C., and the R. F. C. will have more of this property on hand than any other agency of our Government.

Mr. GIFFORD. The R. F. C. does own a great many plants. I agree that they do have a very large surplus. Perhaps they should have a free hand to do what they can. Can we not have an agency that does not own anything, if we are going to coordinate it? Why should we give them such preference? They can do what they please with what they own, but they can dictate to everybody else. The R. F. C. has a tremendous stake and they would like to dispose of it in their own way.

Mr. FORD. I have been listening to a lot of arguments about concentrating the handling of food in one particular agency, and I have heard of handling something else in one particular agency.

Now, you come along with a bill to concentrate the disposal of surplus material in one particular agency, and that is wrong. What is wrong? I do not know. Your thinking is not always, in my judgment, on a straight line.

Mr. CRAWFORD. I would like to ask Mr. Gifford a question to clear up in my mind a question that comes up in connection with your particular position.

Do I understand now that you prefer to have these surplus war materials handled by each department, such as the Navy, the Maritime Commission, the War Department, and have the surplus materials disposed of under the direction of the Congress to that particular agency?

Mr. GIFFORD. That is my point. I think we can lay down to every department just the same thing that this bill has done for that Board.

Mr. CRAWFORD. You feel that you could direct the War Department with respect to disposing of such materials as it might have as specifically as the language on page 4 directs the Reconstruction Finance Corporation operating under the suggestions and regulations of this Board with respect to the disposition of property that may be sold, where the bill reads:

> It shall be the duty of the Corporation, in selling or leasing surplus property, to consult with the appropriate advisory committee or committees so appointed as to the price, time, method, and manner of disposing of such property.
>
> (c) In the sale or lease of surplus property pursuant to this title, the Reconstruction Finance Corporation shall, so far as practicable, be governed by the following considerations,

and then follow 1, 2, 3, 4, 5, and 6. Now, do you feel that direction can be given to these agencies as specifically as that, or more specifically? In other words, I do not feel that the Reconstruction Finance Corporation is bound to abide by these suggestions.

"So far as practical"—Why the Reconstruction Finance Corporation might have an attorney that might rule that it was not practical, and therefore they would not have to be bound. So all of this would go out the window.

Mr. GIFFORD. We could make it specific enough to apply to all.

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What do you mean by "established trade channels"? Real estate must be sold through real-estate agencies.

Mr. PATMAN. Do you not think that they know more about it than anybody else?

Mr. GIFFORD. Do you not think that the Government should sell it competitively by auction?

Mr. PATMAN. It was done in a very unsatisfactory way after the other war in that manner. If you were to leave it, Mr. Gifford, to each agency you would still have to have some central authority to coordinate the activities and policies of these agencies. Otherwise, you would have confusion.

Mr. FORD. I think one example of that is the way that the H. O. L. C. have handled their properties which they took in. They went into the various cities where they were and appointed specific concerns to handle it. As far as I can find out, there has been a very satisfactory disposition of the property that they had to take over. In some cases they have lost, but in other cases they have made it up. That was through regular channels, regular trade channels. The Government might offer 1,000 houses in a day. These various agencies sold those houses in an orderly manner to the regular trade in a regular way and got back to the Government most of its money. Is that not true?

Mr. PATMAN. Yes; and the way it is handled now the big fellows have every advantage. You take the advertisements and examine them, and the limitation of purchases and the number of purchasers, and you will find that the big man has every advantage now.

Mr. FORD. You mean as to real estate?

Mr. PATMAN. No; not real estate. I am talking about other materials.

Mr. FORD. I am thinking of it from the real-estate angle now. We will say, for example, that there were 1,000 houses for sale that had been foreclosed on by the H. O. L. C. They turned those over to the real-estate men, gave them a price, a net price, and a commission, and all those houses have been disposed of by the H. O. L. C. in that orderly manner, and it would be out in about 3 years of the bulk of those foreclosures. I do not believe that you could buy an H. O. L. C. house anywhere because they have all been picked up.

Mr. PATMAN. And the local people were able to service the transactions and look after them all the way through. They are better qualified to do that.

Mr. MONRONEY. What you are trying to do is to establish an orderly merchandising program for the release of these surplus goods rather than having huge million- or billion-dollar lots of surplus stuff consisting of ships and shoes and sealing wax dumped on the market and grabbed by some big salvage company at a few cents on the dollar, held and then fed out in a way to demoralize almost any one of the several hundred lines of merchandising.

You are proposing that a Government agency actually simplify these merchandising operations down to redirect this surplus back into trade channels in an orderly and economic way?

Mr. PATMAN. That is a fair statement, I think.

Mr. FORD. We will take the case of the tailor trade. The Army and the Navy have purchased hundreds of millions of bolts of various

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materials that they need in the fabricating of cloths and other things. Now, they are going to have a surplus of that. If you go to work and throw it on the market by one branch, you are going to have tailors who are able to do it pick that up at 25 cents on the dollar, and it is going to give them an advantage in the sale of cloth. That may be all right for the consumer at the present time. He is going to buy them cheaper, maybe, but you are going to demoralize the tailoring business for at least a year at a time when they are trying to get back into the regular line and sell their goods in an orderly way on an open market.

Mr. PATMAN. That is right.

Mr. FORD. That is only 1 of 10,000 different branches that are going to be mishandled in the same way.

Mr. PATMAN. And the Government will get a lot less out of it that way. Through orderly distribution the Government will get the maximum amount that can be obtained.

Mr. KEAN. Was not this question of the disposal of surplus properties one of the things that the President asked Mr. Baruch to report on?

Mr. PATMAN. I am not acquainted with that.

Mr. KEAN. I do not think that he has made his report.

Mr. PATMAN. I am not acquainted with the communication between the President and Mr. Baruch.

Mr. MONRONEY. I thought it was the termination of war contracts.

Mr. KEAN. I think it was on surplus property too. I do not think he has made his report yet, but I believe that he was asked to make a report on this thing.

Mr. PATMAN. We are, of course, a part of the legislative branch of our Government.

Mr. FORD. Congress would have to handle the thing ultimately.

Mr. KEAN. Certainly, but I think the judgment of Mr. Baruch is something that could be listened to.

Mr. PATMAN. We can ask Mr. Baruch to appear and testify.

Mr. FORD. How about the judgment of Mr. Jones?

Mr. GIFFORD. Do you think that Congress could write up this bill so that municipalities could have first choice? You remember after the last war there was a lot of property located within communities. We have a lot of property in communities owned half by the municipality and half by the State. We were flooded with bills on that. I was trying to induce the Government to give it to the municipalities because there was a moral right back there somewhere. You remember those bills, do you not? I think that is something we ought to consider. Would this board be given authority to deal with things like that?

Mr. PATMAN. That involves only a small part of this surplus property, and of course any direction that you wanted to put in the bill could be inserted.

Mr. GIFFORD. I want to say to Mr. Ford that lend-lease will take care of that sort of thing that you brought up.

Mr. MONRONEY. Does your bill contemplate allowing without further legislation the disposal of Willow Run, the sale of 90 percent of our aluminum capacity that the Government has built, or the mangnesium industry, without any O. K. by the Congress?

Mr. PATMAN. Yes; it will involve all surplus property.

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Mr. MONRONEY. Do you not think that we ought to limit it a little bit? For instance, we are putting in the hands, with respect to the Reconstruction Finance Corporation, a tremendous amount of property. We should not give anybody the right to dispose of 90 percent of our aluminum capacity at one fell swoop.

Mr. PATMAN. I can see where a limitation would be in order.

Mr. MONRONEY. I would think that some of this stuff could better be handled by reserving it for action by the Congress, or some way to be sure that those plants that will help our economy will not be shut down after the war and we will be left in an economy of scarcity to boost somebody's monopolistic control of prices.

Mr. FORD. Here is another thing that will be coming up. A great many of the cities of the United States are on the seaboard. Take, for example, the case of Los Angeles. There we had a very large surplus of frontage along the harbor that we expected to develop, but the Navy came along and had to have it. I would not want that property thrown open to bidding for outside interests. I would want that property reserved so that the city of Los Angeles could recapture it after this war is over. It will be surplus United States property, but the city of Los Angeles held that for years to develop their harbor. Then the Navy came along and took it. The Army took some, too. I would want any bill for the disposition of that surplus to include that wherever a municipality had property that was intended for further development at a later time, that that property should be turned back to the city at not 1 cent less than what they got for it. I would not want private interests to get a hold of it.

Mr. PATMAN. Any safeguarding amendments, I think, would be in order.

Mr. FOLGER. Do you contemplate that this one agency shall handle all surplus property?

The Army or the Navy or any other agency, if they have property, will list it with this agency?

Mr. PATMAN. This agency will have charge. Of course, there will be an advisory group. There will be one from the Army on this board; one from the Navy; one from the Maritime Commission; one from the Procurement Division; and three at large.

Mr. FOLGER. It is your idea, among other things, that it is safer to put the responsibility with the authority upon one agency rather than have it shopped around by different ones?

Mr. PATMAN. Yes; that is the theory upon which this proposal is predicated.

Mr. KUNKEL. I suppose that you have given thought to separating real and fixed property on one side and personal property on the other side.

I wonder if you could give us your ideas on that.

Mr. PATMAN. Of course, more consideration has been given to the property that is not real estate than to the real-estate part.

Airfields are involved in this. The Army has an airfield and the Navy has an airfield. They are right together. Under the present arrangement the Navy could dispose of its airfield and place the Army at a great disadvantage, and vice versa.

If this proposal were adopted, it would be under one central agency, and that airfield would be dealt with together and not separately.

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Mr. KUNKEL. Taking up the questions that Mr. Ford and Mr. Monroney have submitted, for instance, the harbor area of Los Angeles and the disposition of plants such as Willow Run, and particularly large real fixed plants such as that, it would seem to indicate to me a distinction should be made between the two kinds of property because I think there is a great deal of force in Mr. Ford's suggestion and also in Mr. Monroney's.

Mr. PATMAN. Yes; I can see where safeguarding amendments would be in order, and possibly in cases like that Congress should give further consideration to it where it involves our economic well-being and monopolies and questions like that.

Mr. DILWEG. How do you propose to carry out the intention of subsection (6) of this where reference is made to—

facilitating and encouraging the establishment in the various communities of the several States * * *—

and so forth.

Mr. PATMAN. Well, I have an idea that by the time this war is over there will be set up in practically every community in the Nation some kind of board composed of servicemen of the last war and this war—people who are interested in them who will assist them in getting back to the jobs that they had in the various kinds of businesses they were engaged in, or that they want to engage in, and there will be a huge amount of property that can be used by these returning servicemen in their communities to allow them to go into business themselves right in their own communities. And if there is one board here in Washington that has that property and they can requisition it through some orderly method by a purchasing arrangement, to be paid for over a period of time that the board decides on, it would probably be helpful not only to the Government in the disposal of property, but also to the returning servicemen going back into their own line of business.

Mr. DILWEG. I agree with the thought there, but does that not conflict directly with your section (1) under (c)—

Distribution of such property should be through established trade channels.

Mr. PATMAN. That would be an established trade channel. It would become one. We are talking about different things. I am talking about returning servicemen going into business and you are talking about just disposing of surplus property generally. I think that they should be separated. Do you not think so?

Mr. DILWEG. I am asking you the question. You proposed the bill.

Mr. PATMAN. That disposing of surplus property through trade channels, recognized trade channels, I think that that certainly would refer to clothing and durable consumer goods that are normally used.

Mr. DILWEG. My reaction of course would be that it would be difficult for the Government to get a fair price if you had to consider these additional details of putting servicemen back into employment for the disposition of this property.

Mr. PATMAN. Well, I just happened to mention that in connection with some of this property. Although that will be a huge amount, it will be small compared to the whole stock pile. If you will notice the bill, it will not put the board in a strait jacket.

If it is not practicable to do it as we suggest, why, of course, as Mr. Gifford brought out, they would be excused from that. They would have to do it the best way in the public interest.

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Mr. SMITH. Mr. Patman, the matter of distributing this property through the regular trade channels, how would that work in the case of Marion in my home State, where the Government took over for the Army a large tract of land, something like 12,000 acres, and then did not use all of that land? As a matter of fact, the plant is practically closed down. It is one of the plants that has been closed down.

Do I understand that the local real-estate men then would, if this should become surplus property, dispose of that property and sell that property?

Mr. PATMAN. If it is in the interest of the Government for them to do so, but if it is not practicable, the Board would not be bound by it. I think that I can safely speak for the other members of the committee by saying that we had more in mind other items of surplus property than real estate.

Mr. SMITH. The reason I am bringing this up is that it is a very serious question in our community. We have quite a few people, quite a few farmers, who sold their land to the Government and who have as yet not received any payment for it. Much of that land is now in the process of litigation because of the difference in price, and some of those farmers would like to get their own land back. The land is just as it was when they left it, and furthermore the sentiment in that community is to return that land to the private owners. They are afraid that some rehabilitation agency of the Government is going to come in there and hand it over to F. S. A. or some agency like that, and I would like to have that land returned to private ownership something like it was before.

Now, it seems to me you argue into a very complicated and difficult problem there. I personally should like to see it sold back to private owners and even given over to real-estate men to sell under proper safeguards.

Mr. ROLPH. Is the Government paying any taxes on that property that they have taken over?

Mr. SMITH. I have never looked into that specifically.

Mr. ROLPH. Out in San Francisco the Government has taken a lot of property off the tax-rolls and many communities in my State are suffering.

Mr. SMITH. I can answer your question. The Government is not paying taxes because it is affecting that community in Marion very seriously.

Mr. DILWEG. Under the Lanham Act, do they not provide for a payment equal to the taxes?

Mr. ROLPH. There is some suggestion that they make an allowance for fire protection, police protection, but it is entirely inadequate. As a matter of fact, I do not think any money has been paid out for that provision as far as San Francisco is concerned. We are giving police protection and fire protection and not collecting a cent in taxes for it.

Mr. WOLCOTT. The Peterson committee has been set up for the purpose of making a study of that. They are recommending to Congress legislation which will compel the payment to municipalities of sums in lieu of taxes. They do not pay taxes on any of this property, on the theory that the local government cannot tax the Federal Government. The Peterson committee is making a study of it, and I understand from Congressman Peterson that as soon as they com-

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plete their study they will make a recommendation that the municipalities be reimbursed in a lump sum.

Mr. ROLPH. It is a very serious situation.

Mr. PATMAN. I think it would be in order to give consideration to the real estate part and the other part separately. We have given more consideration to the other matter of the surplus property than we have the real estate. I can see where these farms, unmolested by the Government, intact just as they were when purchased, the farmers should have their homes placed back, if they want them.

Mr. HULL. Does your bill cover the disposal of surplus property in foreign lands? For instance, in England we have several billions of personal property. Does this cover the sale of that?

Mr. PATMAN. If it belongs to the United States Government, I think it would be covered by this bill.

Mr. HULL. I call your attention to the fact that after the First World War we disposed of some $400,000,000 worth of personal property to France. France sold $700,000,000 to other governments of Europe and never paid the original $400,000,000. I wonder if there is any loophole in here that will permit anything of that kind to go on.

Mr. PATMAN. Of course, the law will depend upon the administration of it, as every law is dependent upon its administration. If it is properly administered, it will be all right; if it is abused, why, it will be all wrong.

Mr. SMITH. I was not quite through. I would be inclined to believe that they should be included along with other surplus property items. I think it is a rather complicated question and will not be easily solved by any means.

I would like to know this: I am sympathetic to your proposition in general. I think something should be done to prevent some of the wrong things that we did after the other war with respect to these surplus commodities. Now, I want to ask you one more question:

Recently, I understand, several thousand automobiles, surplus automobiles, were released by the Treasury, were sold, and I understand were sold at a profit by the Treasury.

Now, under your bill, those automobiles would have been returned to the regular channels of trade. That is correct, is it not?

Mr. PATMAN. Yes, through some satisfactory arrangement and purchase agreement.

Mr. SMITH. How would you arrive at a price, at a sales price, that the Treasury, for example, would fix on those automobiles to the automobile dealers?

Mr. PATMAN. That is what this board would have to pass on. I wonder, Mr. Smith, if you would bear with me and if the chairman would permit me to have Mr. Summerfield make his statement. I asked Mr. Summerfield to be here today. It happens that he cannot be here tomorrow. He will consume probably less than 10 minutes. Would you object to that? You can resume your questions later. Would that be all right?

Mr. CRAWFORD. Who is Mr. Summerfield?

Mr. PATMAN. He will identify himself. He is with the automobile dealers.

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STATEMENT OF ARTHUR E, SUMMERFIELD, CHEVROLET DEALER, FLINT, MICH.

Mr. SUMMERFIELD. I have a prepared statement, and with your permission I would like to read it first.

My name is Arthur Summerfield. I am a Chevrolet dealer in Flint, Mich. Further, I am chairman of the Post War Planning Committee of the National Automobile Dealers Association. This association speaks for between thirty and thirty-five thousand retail automobile dealers of the United States.

These dealers, who are located in cities, towns, villages, and at crossroads in every State in the Union, desire me to heartily endorse H. R. 3873. They have reached this decision after a thorough study of the surplus war goods situation. The committee which I head has been studying this problem for almost a year, and during that time it has made a thorough canvass of the dealer thought throughout the Nation. Hence the recommendation of this bill that I now am making is not merely a formal committee report. It represents the considered view of the automobile dealers of the United States.

Dealers are endorsing this bill first as businessmen who are concerned in the welfare of the general economy of the country. While it is true that they believe this measure would prove beneficial to them in helping them keep their doors open until automobile manufacturers get back into production, they like it also because it would seem to help all business, and particularly small business. We dealers believe that the future prosperity and stability of the United States is going to be based very largely on the success or failure of the small businessmen of the country. Anything that will help private business is certain to be of great assistance to the employment problem that is sure to follow the declaration of peace. Therefore we are for any sound measure which will help create employment. We think this bill will do that.

Automobile dealers have a particular problem in this connection which it requires goods to solve. When the Government very properly froze sales of new cars, approximately 250,000 of our salesmen were automatically put out of work. We did the best we could to provide them with other employment, but unfortunately, most salesmen are qualified only to sell. They could not go into our repair departments and be of much help either to themselves or to us. The inevitable result was that they either retired or sought work in other lines. However, an automobile salesman is a good deal like an actor or a fireman in that he loves his work and always is anxious to get back into it. The result is that most of these quarter of a million men are anxiously awaiting a return to their former jobs.

Employment can be provided these men if we are able to get cars, trucks, and other surplus vehicles from the Government pool. If we do get them to tide us over, there is going to be an extended period when we will not have much of anything to sell and instead of taking on some of our former salesmen, we will probably have to make further decreases in our present skeletonlike sales forces. The supply of used cars and trucks today is very small and doubtless will continue to grow smaller. Furthermore, it will require anywhere from 3 to 6 months for manufacturers to get back into production of cars after their plans cease making war materials. Hence, the

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outlook for any kind of automotive supplies, except what we can get from surplus war materials, is not encouraging.

In addition to providing work for salesmen, the used vehicles particularly which could be made available to dealers from these surplus supplies would help us reemploy many mechanics.

This great contribution to unemployment relief is not the only help the dealer could give to national problems through the distribution of surplus war goods. He also could be very helpful in placing these materials where they would be of the most assistance.

The greatest need for automotive replacements today is found chiefly in small towns and rural communities. Farmers particularly need newer cars and trucks. National surveys show that the average age of a passenger automobile used in the country is somewhere near 8 years. Most farm cars were old when the war began, and as a result of a shortage of mechanics to keep them in repair, as well as their advanced ages, these farm cars are pretty sorry exhibits now. There also is a great shortage of farm trucks.

The large proportion of surplus automotive materials will be of the used class. Small towns and rural communities, where the need for vehicles is great, will prove natural outlets for this used stuff. It can be sold there much more readily than in the cities.

Here is one of the many places where dealers of the Nation can perform real distribution service. If the provisions of this bill are carried out, dealers will cooperate with the Government in seeing that the surplus automotive units get into the hands of the people who need them most. I regard this as one of the most important situations to be dealt with by legislation, and I think it is a point which is splendidly covered by the provisions of this measure.

The failure to take care of this distribution situation is one of the outstanding weaknesses of the present Government sales plan. Now when surplus automotive units are offered for sale by the Procurement Division of the Treasury Department no particular consideration whatever is given to the location or the needs of the purchaser. If a prospective purchaser can qualify for gasoline under O. D. T. regulations, he may own and operate any vehicle he is fortunate enough to purchase from the Procurement Division. He may, for instance, be a big town speculator who has neither desire, obligation, nor knowledge in connection with the proper placing of automotive units.

Meantime, dealers who know where these units should go and who are genuinely anxious to place them where they will do national transportation the most good, are practically barred from buying from Procurement. Of course they can go in and bid on an equal footing with a private purchaser, car at a time, but no dealer can do that and make a profit. Naturally, if he can't make a profit, he can't stay in business. There is no reason on earth for him trying to compete with private bidders as he must do under present Procurement arrangements.

Dealers are prepared, if this bill is passed, to cooperate in every way with Government officials in making the most economic use of whatever automotive materials may clear through them. With contacts at practically every crossroads in the United States and any
nber of patriotic dealers willing to serve in an advisory capacity,
are convinced that we can be most helpful in restoring the badly
pled transportation system of the country to something like
nal efficiency.

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In addition to placing these units where they would do the most good, dealers, practically all of whom maintain service departments, would seek to put the units in the best possible mechanical condition before returning them to service. This is something which simply cannot be done on a broad scale if Procurement continues to sell the units to individuals, as it is now planning to do. There already exists a great shortage of mechanics, and in most instances, an individual cannot get work done in any reasonable length of time. If the dealer were permitted to buy these units and recondition them in connection with the other activities of his business, he could do the repair work much more economically and quickly than by any other method.

I should particularly like to emphasize the great need for trucks now existing in the nation and which is destined to become more acute daily. I have a rather large repair department in connection with my business and I know that the average truck which comes into my shop today has been run from 150,000 to 200,000 miles and is about ready for the scrap heap. The Army has a great many used trucks which it will want to sell after the war. In fact, some 10,000 already have been turned over to Procurement for sale. If these surplus Army trucks were made available to dealers and reconditioned, it would be an invaluable contribution to the transportation service of the country. This only can be brought about through the enactment of some such legislation as you now are considering.

Dealers believe that the machinery proposed for the sale of surplus goods by this bill scarcely could be improved upon.

The appointment of a general advisory council which shall keep current inventories and collect surplus goods is a badly needed step. Chaos is the only word which describes present methods of handling surplus goods. Nobody knows how much goods is surplus or where most of it is located. Some of the sales that have been made thus far are little short of scandalous. A private business conducted as the surplus war goods business is now being conducted by the Government would soon be in the sheriff's hands.

The suggestion that actual sales of surplus war goods be placed under supervision of R. F. C. has the hearty endorsement of the automobile dealers. The manner in which R. F. C. made loans on automobiles and trucks under the Murray-Patman Act and the way that they handled purchases of motor vehicles that dealers offered under that act has created a great deal of confidence among automobile dealers in R. F. C. as to its fairness and businesslike efficiency. R. F. C. is staffed with men trained in business who while demanding and receiving a square deal for Government also recognize the businessman's viewpoint and play fairly with him.

The proposed appointment of advisory committees from various industries to work with R. F. C. appeals to dealers as being sound. I can assure you that the dealer group gladly would help carry out this provision of the bill if it is enacted into law.

Finally, from the standpoint of the taxpayer, particularly, I think this is an excellent measure. I know that in the automotive line, dealers are anxious to pay the highest possible price for surplus goods consistent with their turning over their purchases at a fair profit. They believe that past sales of surplus goods of many kinds have not resulted in fair returns to the taxpayer. They want to see this situation remedied. It cannot be remedied by a continuance of the

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present slipshod methods of selling surplus goods. It can, we believe, be vastly improved to the benefit of the taxpayer, the automobile user, and business generally by the enactment of this bill into law.

Mr. ROLPH. I want to say that I received a number of telegrams from my district, from automobile dealers, urging me to support this legislation.

I would like to say to the gentleman that this committee sponsored legislation in the last session to relieve the automobile dealers of the problems that they had concerning new cars. We were delighted to do that and I feel sure that this committee will be glad to do everything it can to help you in this situation. But I should like you to tell me this concerning the automobile business. What would be the procedure in the distribution of this property through established trade channels? Just what does that mean in your particular problem? Where does the manufacturer come in; where does the dealer come in; where does each party in the automobile industry come in? Where does each fit into the picture so that all of these different groups will participate in the distribution of this merchandise?

Mr. SUMMERFIELD. The Government today is in a similar position. It is not the factory; the factory produces the material and sells it to dealers and distributors.

Mr. ROLPH. The question I had in mind was this: What will be the position of the factories?

Mr. SUMMERFIELD. The factory will not be in this at all.

Mr. ROLPH. They are out of it?

Mr. SUMMERFIELD. That is right.

Mr. ROLPH. That is one part of the industry that is out?

Mr. SUMMERFIELD. That is right.

Mr. ROLPH. Are they satisfied with that?

Mr. SUMMERFIELD. Yes, sir. I discussed it with them at length. The factories feel that they should not repurhcase automobiles, trucks, or replacement parts from the Government. They are perfectly willing—at least the major companies that I have contacted are perfectly willing—to lend any assistance to the dealers, and to the R. F. C., or whatever Government agency handles this redistribution problem, that they can.

Mr. ROLPH. Then the manufacturers are in favor of this legislation?

Mr. SUMMERFIELD. Well, I will put it this way, sir. I cannot officially speak for the factories, but as to those whom I have contacted, they have voiced no objection, but are rather heartily in approval of this legislation.

Mr. ROLPH. Would you say that they would go on record as approving this bill?

Mr. SUMMERFIELD. I would say that they cretainly would have no objection to it, sir. You understand, I am not in a position to speak for the factories, as such. But we studied this problem very thoroughly, as much as we could, with our very limited capacity. We recognize the terrific problem that will present, to redistribute such amounts of surplus automotive equipment as this Government is going to be confronted with. And we realize that it must be done as quickly as possible and in as orderly a way as possible, if the Government is going to recover a large percentage, at least a goodly percentage, of the original cost of this equipment.

Mr. ROLPH. Would the Ford units be distributed through Ford dealers, the Buick units distributed through Buick dealers, the

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Pontiac units distributed through Pontiac dealers, and so forth, the way the units originally were distributed?

Mr. SUMMERFIELD. That is our desire, sir, that it be done that way. It would not necessarily have to be confined to that, but there is not any question that the Ford dealers are in the best position to redistribute, for instance, some of the hundreds of millions of dollars worth of replacement parts that the Ford Motor Co. has built and sold to the armed forces. As a Chevrolet dealer, it would be uneconomical for me to buy any part of that. I might better repurchase them from some of the Ford dealers after I learned that they had bought them from the Government.

Mr. ROLPH. In other words, we will not have Ford dealers bidding on Buicks, and Buick dealers bidding on Chevrolets; but we would have the Ford dealers bidding on Fords, and the Chevrolet dealers bidding on Chevrolets.

Mr. SUMMERFIELD. That is right. And it is not so complicated. It may seem so to you gentlemen, but it is not so complicated. Here is this equipment, of all types and sizes and in all conditions. It would be a very difficult thing to find the real value of it, it would seem, but it is not so, because there is a problem that our industry has to face every day. Every car and truck that we take into our business in exchange for a new piece of equipment, is of no value until we analyze it. That is one of the reasons we so heartily approved the appointment of this advisory committee, representing all these industries, because they are in the best position to assist the R. F. C. to determine what is the fair value of that particular piece of equipment. And it is not so complex and complicated as you might think.

Mr. ROLPH. What we want to do is to work it out so that the businessmen will be able to function normally. In other words, in my opinion, we want to keep the Government out of business, as much as possible, and we want business to function normally. That is the point of view from which I am looking at this.

Mr. SUMMERFIELD. I support that statement very enthusiastically, sir. Now, if I may just make a rather general statement for a moment. This is the situation as I see it. You have tremendously increased the productive capacity of all plants in this country, or of most plants in this country. That has been the result of expansion for war materials. Take the automobile industry, for instance. The productive capacity, due to the erection of new buildings and the installation of new equipment, and so forth, is such that they will be able to produce an amount far in excess of cars per year than they ever have had before.

That is true in practically every industry. All right. There are three things we have to consider. Here you have the most tremendous pent-up buying power this country or any other country has ever known. That is going to find an outlet.

Over here, you have got the biggest productive capacity this world has ever known. In between are your small businessmen. They are the distributors of all the merchandise, or most of it. The very large percentage of the total merchandise distributed in this country is distributed by small businessmen and distributors.

Our shelves are empty. Our warehouses are empty. Our sales forces are depleted to a point where we are not in a position at the moment to step up and absorb this enormous productive capacity and the output from these plants.

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If, beginning now—and I mean now; I do not mean 6 months from now—you people can see to it that these surplus materials that have already been declared surplus by the various armed forces, are fed back through our organizations, we can immediately start to rebuild.

Mr. ROLPH. You mean surplus automobiles and trucks?

Mr. SUMMERFIELD. That is right; automobiles and trucks, and so forth; so that we will be in a position, when the trucks and cars are coming off the line, of having an organization ready to sell them.

Understand, we cannot build that organization and pay for it out of capital. We must have some profit, we must have some source of profit. That is not only true of the automobile dealers, but the same is true of all dealers.

I have discussed this thing with a great many people. I happen to be on two other post-war committees; one, of the National Retailers Association; and the other, the United States Chamber of Commerce Post-war Committee. So I have had the benefit of a lot of discussion with a lot of people who know these problems very well.

Suppose, for instance, there are five pairs of shoes available as surplus for every man and woman in the armed forces of this country. Multiply that five—taking that just as a tentative figure—by the ten or eleven million men and women you have in the armed forces; and just think for the moment what would happen to the retail shoe business of this country if that many shoes were dumped promiscuously on the market.

Mr. ROLPH. Do you know the number of automobiles and trucks that are potentially hanging over the market, as related to the illustration you just gave?

Mr. SUMMERFIELD. I, of course, have a pretty good idea about the number, but that is war information. But I am going to tell you that as to the number of automobiles and trucks that I believe will be declared surplus. I cannot make a statement as to the number that will be declared surplus, but the total number of used trucks and new ones that will be available when this thing is over will not be too far from a total year's production of commercial equipment by the combined automobile plants.

Mr. ROLPH. About how much would that be, something like 8,000,000? What is to annual production, about 8,000,000 automobiles?

Mr. SUMMERFIELD. No; in a good year it is possibly 5,000,000 cars and trucks.

Mr. WOLCOTT. You are speaking primarily of commercial vehicles?

Mr. SUMMERFIELD. I was referring to both, when I said 5,000,000.

Mr. ROLPH. Five million vehicles.

Mr. SUMMERFIELD. That is right. Now, as to the matter of replacement parts: Just stop and think what would happen to the automobile retail trade if an inventory of surplus parts, far in excess of what the dealers ever carried in their inventories, or the factories ever carried in their inventories, were dumped on the market, through a lot of so-called army stores, and what not, around the country. Just image that, coupled with the dumping of hundreds of thousands of trucks.

Mr. ROLPH. It would mean ruination to thousands of business people.

Mr. SUMMERFIELD. Just go a step further. When these plants start producing cars and trucks in volume, we will have to take in used cars

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and trucks in trade. We have to. If we did not, we would be restricting buying, because the purchaser would be unable to pay a cash price or a time price for a new vehicle if he could not get some credit for his down payment, at least, for the used vehicle that he had. We have got to take those things in, put them in shape, recondition them, and resell them.

Now, just suppose several hundred thousand of these cars and trucks have been dumped promiscuously by the Army and the Navy, to Tom, Dick, and Harry. What will be the retail value of a piece of new equipment? It can be anything. The same is true of replacement parts. What I am saying is, that you will just simply wreck this whole industry if this matter is not handled properly.

Mr. ROLPH. Mr. Talle wants to ask a question.

Mr. TALLE. As I understand, the price factor is the important thing in this discussion, is it not?

Mr. SUMMERFIELD. That is the primary thing.

Mr. TALLE. That is what I mean.

Mr. SUMMERFIELD. That is what the Government and the people are interested in, recovering as much as possible.

Mr. TALLE. In your discussion with the manufacturers, have you dealt with the subject of the disposal of cars now frozen in their factories and warehouses? They are interested in recovering list prices plus storage. What will happen to their situation when and if these reconditioned cars come onto the market? Have you discussed that aspect, the relationship of those two prices?

Mr. SUMMERFIELD. The factories, sir—well, I do not believe any factory today has any, and if any, very few, cars or trucks.

Mr. TALLE. That is, in their warehouses?

Mr. SUMMERFIELD. Yes; in their warehouses. The dealers own the cars and trucks that are available. I think there are about 60,000 new cars and about 2,000 new trucks. Those are all that are left. So that will not be a problem. Those could all be released in 30 days if the Government decided that it was all right to sell them. So that is not a problem, sir.

Mr. ROLPH. I want to thank the gentleman for his statement. Mr. Chairman, I have received communications from some dealers in San Francisco about this legislation. I wrote to them and told them that I would be glad to insert a statement from them, if they desired, and I ask unanimous consent at this time to insert a statement, if they desire to submit it.

The CHAIRMAN. Without objection, the matter may be made a part of the record.

(The statement referred to will appear in the revised print.)

Mr. CRAWFORD. Mr. Chairman, I want to ask Mr. Summerfield one or two questions. In the first place, would your group be willing to have this bill amended so as to eliminate all real estate, all manufacturing plants, all ships, all foreign equipment, equipment located on foreign soil—at least until the time when it comes back to the United States or one of its Territories, so that if it does come back to this area, it would come within the bill?

Mr. SUMMERFIELD. We would have no objection, sir.

Mr. CRAWFORD. Then we would restrict this bill to those items which are to move in the channels of wholesale and retail trade. Plants and ships, naval stations, and so forth, do not move in the channels of retail trade.

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Mr. SUMMERFIELD. That is right.

Mr. PATMAN. Just a moment there, Mr. Crawford. I am afraid that is a little far reaching, although I see your point.

Mr. CRAWFORD. You get the idea that I have in mind.

Mr. PATMAN. Yes; but just let me give you an illustration. Suppose there is a fabricating plant doing war work. The Government has invested say $10,000,000 in that plant. When the war is over the plant will not pay out 1 cent on the dollar. But you could move that plant to some other part of the United States and it would pay out 100 cents on the dollar. So if you put in a provision that it shall apply only to goods and merchandise moving in retail channels and wholesale channels, it would exclude authority to the Board, it would take away from them the power to move these fabricating plants to a point where the Government would get most of their money out of them.

Mr. CRAWFORD. You may agree with me before I get through with this point, Mr. Patman. In other words, modify this bill in that respect, with the intention and with the hope that another bill is to follow quickly from some committee indicating what is to be done with these other operations.

Now, here is the reason that I put it that way. When you start to move a great fabricating plant from one point to another, or when you start to sell fabricating plants or manufacturing plants you put in jeopardy every other plant which is engaged in similar operations or which might have been converted to engage in a similar operation; because, as the Secretary of Commerce [Mr. Jesse Jones] has pointed out, this thing has got to be worked out with kid gloves. Otherwise, we can bring a catastrophe to the private enterprise system of America.

Now, let me ask you another question on this bill. Applying the thought expressed in item 1, subparagraph (c), page 4, "Distribution of such property should be through established trade channels."

What would your particular industry think about having the bill read so that the new automotive equipment and parts should go from the Government back to the manufacturer; for instance, General Motors, with its break-down of its various units; Chrysler would get theirs; Ford would get theirs; Willys-Overland would get theirs, and so forth; so that they can, in turn, dispatch these, or rechannel this new stuff, these parts and equipment, to their respective dealers, in accordance with the general plan for getting the automotive industry back into operation, letting the second-hand automotive equipment and second-hand parts—and I do not mean second-hand equipment and new parts, now—go to the industry which you directly represent, the dealers, on whatever terms can be worked out between the R. F. C. and yourself?

Do you want to comment on that?

Mr. SUMMERFIELD. Yes. From my talks with the various manufacturers, they are going to be so tremendously busy, in their own opinion, getting reconverted and reorganized to build new merchandise that they just have no capacity to handle this new equipment in the hands of the Government, which will probably be limited. I am sure they are not interested in doing it.

Mr. CRAWFORD. Wait a minute now; this would involve only their sales organizations.

Mr. SUMMERFIELD. That is right; but as I said earlier, Mr. Crawford——

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Mr. CRAWFORD (interposing). How are they going to get their sales organizations into operation until they have something to sell?

Mr. SUMMERFIELD. Most of them have retained most of their sales organizations.

Mr. CRAWFORD. That is, the executives, you mean?

Mr. SUMMERFIELD. That is right.

Mr. CRAWFORD. And you fellows out on the firing line constitute the retail end of it?

Mr. SUMMERFIELD. We are the ones that are in bad shape; not the factories' organizations.

Mr. CRAWFORD. I understand that. But what I do not understand is why your dealer organization would want to negotiate on this new stuff with the Government instead of through the manufacturers.

Mr. SUMMERFIELD. We would have no objection to buying that from the manufacturer, sir.

Mr. CRAWFORD. But the manufacturers do not want it, is that it?

Mr. SUMMERFIELD. That is right.

Mr. CRAWFORD. You have not anything official from them on it, have you?

Mr. SUMMERFIELD. Well, I have discussed it with most of them and I have yet to find any interest in it, and I have had very definite statements from some of them that they are not interested in it.

Mr. CRAWFORD. In other words, they feel so secure in their post-war prospects that they are willing for the dealer organizations and the Government to make any kind of a trade and any kind of disposition of these automotive supplies and equipment and spare parts that they want to make; is that it?

Mr. SUMMERFIELD. They are quite satisfied that the dealer organizations of the country and this Congress will find a reasonable solution, so as not to embarrass the industry.

Mr. CRAWFORD. This is what I want to find out from you, because I know your position in the industry; at least I think I do. Are you prepared to say that they are willing, that they will be satisfied with any deal we make—the Congress and the departments of the Government and your dealers; is that what you want to say?

Mr. SUMMERFIELD. Yes, sir; I believe so.

Mr. CRAWFORD. In other words, the manufacturer does not enter into this picture at all.

Mr. SUMMERFIELD. That is right, with one exception. The Willys Corporation has a peculiar problem unto itself. I know they are interested, because of their new type of equipment, something entirely new in this industry, and the fact that they have a very limited dealer organization, and so forth. In other words, it is a splendid opportunity for them to build up their organization, if they can take back the jeeps. I know that, sir.

Mr. CRAWFORD. That is one of the things I had in mind.

Mr. SUMMERFIELD. I talked at length with one of the vice-presidents of that company in charge of sales. He showed me his program and the statement that he made before your committee, one of your committees. I read it at length. But his problem is peculiar to himself and to his company on that. But that is a very small fraction of the over-all problem.

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Mr. CRAWFORD. Let me get your interpretation of another part of this bill, going to the duties of the governmental agencies. First, let us take up the duties of the Board, subparagraph (b), on page 3. Do I understand from that language—or do you understand from that language—that the Board's authority is limited to the determination and the prescribing of the methods to be used by the governmental agencies, and to determine what constitutes surplus property after the respective agencies reach that determination; or can this Board go to the War Department and determine what constitutes surplus property over the heads of the War Department?

Mr. SUMMERFIELD. As I understand it, sir—and I am just rereading it here—the Army itself, for instance, will determine what its surplus is.

Mr. CRAWFORD. Let us go directly to the language. It says:

shall determine and prescribe the methods to be used by governmental agencies in making and maintaining inventories of property, and (2) shall determine the surplus property under the jurisdiction of the various governmental agnecies that should be sold or leased, and shall inform the Reconstruction Finance Corporation as to every such determination.

The question that I am raising, is first, who determines what constitutes surplus property, the respective agencies, or this Board, or the R. F. C.?

Mr. SUMMERFIELD. I would say the Board, sir.

Mr. CRAWFORD. You would say the Board?

Mr. SUMMERFIELD. Yes. I think that was probably your idea, Mr. Patman, to have a member of each of the branches of the armed forces on that committee?

Mr. PATMAN. I had in mind that the War Department would determine what was surplus, and the Navy Department would determine what was surplus, before this Board would have jurisdiction. In other words, as long as they wanted to use the property and as long as they said it was necessary in the war, they should be allowed to keep it.

Mr. CRAWFORD. That is what I am trying to clear up. Does this Board come into the picture with respect to the handling of the surplus property before the respective agency makes a determination that it is surplus property?

Mr. PATMAN. I would not think they would have any jurisdiction until it had been declared surplus. Of course, I am just one of nine members that participated in formulating the provisions of this bill.

Mr. CRAWFORD. I understand that. We will assume, then, that the intent of the bill is to leave it up to the Government agency to determine whether or not property is surplus.

Mr. PATMAN. May I invite your attention to page 2, subsection 2 of section 202, which reads:

The term "surplus property" means any property which has been declared to the central agency handling surplus property to be surplus to the function, activity, or project in connection with which it was acquired or accrued.

Mr. CRAWFORD. Who is the central agency—this Board?

Mr. PATMAN. The Board; but the agency that has the property must first declare it to the central agency before it becomes surplus.

Mr. CRAWFORD. I think that straightens that out. In other words, the War Department, if they had a surplus of say 500 trucks, and declares to this Surplus Property Policy Board that it does have that, then the Board would proceed, possibly under the jurisdiction of the

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War Department, to determine how those 500 trucks should be sold or leased?

Mr. PATMAN. That is right; and the War Department will have a representative on that Board.

Mr. CRAWFORD. It will determine whether or not and how it should be released?

Mr. PATMAN. That is right.

Mr. CRAWFORD. And then that Board informs the Reconstruction Finance Corporation as to every such determination, and then the R. F. C. proceeds to make the sale; is that correct?

Mr. PATMAN. Yes. That is, with the advice of the advisory groups that are set up under this bill, I think, Mr. Crawford.

Mr. CRAWFORD. And that is all?

Mr. PATMAN. Yes, sir.

Mr. CRAFWORD. But after the determination is made and there is a certification, we will say, then it is the job of the R. F. C.; is that correct?

Mr. PATMAN. That is right.

Mr. CRAWFORD. Having gone that far, then the various agencies, governmental agencies, shall cooperate with the Board in arriving at this determination, and those agencies shall also cooperate with the R. F. C. in the sale or release, under the procedure of the R. F. C.?

Mr. PATMAN. That is right; that is contemplated; yes, sir.

Mr. CRAWFORD. Mr. Summerfield, you made the observation a moment ago—and this is a subject that has bothered me for fully 3 years. That is, I am trying to figure out in my mind how we can spend $150,000,000,000 or $250,000,000,000 or $350,000,000,000 in prosecuting the war, or we will say in paying for war, and then immediately turn around and spend those same dollars again to buy a standard of living, or to rebuild the United States, or to resupply our shelves. Do you know of any way that that can be successfully done? You brought out the point awhile ago that we have this enormous buying power on the one side.

Mr. SUMMERFIELD. Yes.

Mr. CRAWFORD. And productive capacity on the other, and the dealers in between. Now, do you know of any way whereby this enormous buying power can be converted into actual buying power in the hands of the consumer in the post-war period before those consumers go back to work in the production of the things, drawing wages and salaries from that production with which they may procede to buy? Do I make myself clear?

Mr. SUMMERFIELD. Of course, you have got your savings which are at an all-time high.

Mr. CRAWFORD. What are those savings in, mostly?

Mr. SUMMERFIELD. Well, I am not an economist, sir.

Mr. CRAWFORD. But you raised an economic question awhile ago, one that has bothered me for a long time.

Mr. SUMMERFIELD. I think there are about fifteen or sixteen billion dollars in savings. Is not that approximately right? You are a student of that.

Mr. CRAWFORD. You have got about $27,000,000,000 of cash-surrender value of these Savings bonds.

Mr. SUMMERFIELD. Savings deposits, I meant sir.

Mr. CRAWFORD. You have got probably in time deposits in the banks $17,000,000,000. That is as of June 30, 1943.

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You have got about $82,000,000,000 total of demand and time deposits in the banks as of December 31, 1943. And your demand deposits, to the credit of individuals, partnerships, and corporations, as of June 30, 1943, are $53,423,000,000.

Mr. SUMMERFIELD. If you want me to comment on that subject as a layman, I will say this. Let us get back to the crux of this whole thing. You are going to wind up this war with probably a $250,000,000,000 national debt, and it may reach $300,000,000,000. You are going to have a service charge on that of about $5,000,000,000 in interest, are you not? You are trying to raise—or at least it has been suggested to this Congress that you enact legislation to increase the revenue from income tax $10,000,000,000, and you are having trouble finding a way to do it, aren't you?

Now, from a layman's point of view, I think you are going to have to have a national income in this country of a minimum of $130,000,000,000 and it might have to reach $150,000,000,000 in order to maintain the economy.

Then you are going to have to have some efficiency in this Government to reduce its fixed expenses down below what is now called an irreducible figure. That is so that your income is going to be sufficient currently from taxation in this country to balance your budget. If you do not, you are going to be in trouble.

That is why I said earlier that this question is very complex. We can ill afford to have anything happen to one of the key industries in this country.

Mr. CRAWFORD. I agree with you on that. And that is the reason I am emphasizing the point. They have first got to go back to work before they have these dollars to spend.

Mr. SUMMERFIELD. That is right.

Mr. CRAWFORD. In other words, I have yet to have someone tell me how you can convert these savings into buying dollars in the postwar period; dollars that will buy things, I say, without putting people to work first.

Mr. SUMMERFIELD. That is right.

Mr. CRAWFORD. If we think we can go out here and cash in $25,000,000,000 or $50,000,000,000 or $100,000,000,000 of bonds and have a buying power in our hands instantly, we are wrong. I do not go along with that at all. I want somebody to tell me how to do it.

Mr. SUMMERFIELD. My observation is that it is the employed worker who does the purchasing.

Mr. CRAWFORD. Surely. If the automobile industry opens up, and the blanket industry, and the shoe industry, and 10,000 other industries that produce all this stuff—if they can open up and put people back to work, we are certainly going to pay those people a reasonable wage, and with those wages which they will draw every week, every pay day, they can still buy these things; and in that case they do not have to try to cash in these savings that we are talking about, and particularly the forty or fifty billion dollars worth of savings bonds which they will probably have at that time.

What I am trying to do is to get somebody to tell me how you are going to cash these bonds and still have something left to buy something with. By this I mean dollars that will buy things.

I think this bill goes in the direction of putting people back to work. That is the reason the bill appeals to me so much. And it moves

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in the direction of preventing those who are trying to put people back to work from being bottled up as a result of death-dealing competition from the Treasury of the United States which is selling surplus material at the present time, and far below cost value.

I have a sample of that back in the corner, which I will have someone bring up to me, and demonstrate what is being done, right now.

This is the way the Procurement Division of the Treasury Department is now selling stuff. If they cannot make it surplus material any other way, they will take a hammer or an ax and cut a hole in it, damage a piece of goods like this [indicating article]. They take this article, which was purchased under the regular Government procedure, and they make it surplus property by damaging it so that they can take it out and put it on some junk pile for about 3 cents on the dollar. I can take an automobile around town here and show you tens of thousands of dollars worth of stuff being sold by the Treasury Department right now.

Mr. PATMAN. You mean that they deliberately injured that piece of property?

Mr. CRAWFORD. That is one way they make it surplus property. You have lots full of it.

Mr. PATMAN. That is sabotage.

Mr. CRAWFORD. Why, of course, it is sabotage.

Mr. SUMMERFIELD. Then you may ask how the automobile dealers feel.

Mr. CRAWFORD. I know how they feel. I have been looking at this for months and months. I go to these officials, and I say, "Why do you do this?" "Well, we have got to get rid of it." I say to you, you can make absolutely fantastic purchases right here in this city today from the Procurement Division of the Treasury Department.

Mr. SUMMERFIELD. That is right.

Mr. WOLCOTT. Right down at the foot of Capitol Hill, until recently, there was perhaps half an acre completely full of piled-up steel filing cabinets and steel furniture, sitting out in the weather, getting rusted, at a time when you could not buy a piece of steel furniture anywhere. That was just junked down there, and I wish that I could have had some of it in my office.

Mr. SUMMERFIELD. This bill would correct that, in my opinion, in the opinion of our committee.

Mr. CRAWFORD. Here is a catalog of available material of the United States Army Air Forces, available to manufacturers or their surplus suppliers, under existing regulations.

Mr. PATMAN. Is that the Memphis catalog?

Mr. CRAWFORD. Here is the letter that I received from the War Department when we took this up. It says something like this:

Confirming our telephone conversation, here is the famous catalog put out by the central disposal depot of the Air Forces, at Memphis.

Then here is a copy of the press release on it, which says, "for background only." This is from the Army Service Forces. I do not know what they mean by "background."

These are very brief exhibits of what I think this bill is designed to prevent, and I want to go on record here this morning as saying that I am extremely sympathetic to the picture that is painted here. I am terribly anxious to have this committee do something to stop such

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practices on these goods that move in the channels of trade. But we do not want at this time to support a bill which has to do with the disposition of equipment, for instance, equipment of this kind. For instance, the Treasury has paid, or has put $12 into the aviation industry for every dollar of private capital in the aviation industry; it has built these great plants across the country, with which all of us are familiar. What I am saying is, I am not ready to support a bill at this time having to do with the disposition of those plants. It seems to me, with what you and Mr. Patman have already said, we may be able to work out something here, through this bill, which will be very constructive, and put us on the right path with respect to taking care of the retail dealers of this country and promoting the employment of people in the production of civilian goods in the post-war period. I do not want these people to have to cash these bonds.

Mr. SUMMERFIELD. That is right.

Mr. CRAWFORD. I do not know how you can cash them without going through an economic wash-out. But I do want us to do something that will help to reopen these industries and get them back into production of civilian goods and the employment of people to whom they will pay a living wage, so that they can spend that weekly income to buy these things that they want. They can stop saving for a while until we can work out of this thing and get our post-war economy reestablished on a $130,000,000,000 basis, let us say, on today's price level, and carry this National Budget that may run anywhere from $25,000,000,000 to $40,000,000,000 per annum, especially as recited in the President's message the other day.

Mr. FOLGER. Mr. Crawford, may I ask you this? Do you not think that following this, and without much delay, some provision ought to be made for the orderly disposition of these real-estate properties?

Mr. CRAWFORD. I think so; did not the President tell us in his message the other day that something like $12,000,000,000 of war contracts had been canceled? I believe that is the figure that he used, but whatever it was—and it is subject to correction—I believe Dr. Smith said that he had a plant down in his territory that is not running now; is that right?

Mr. SMITH. When they started there were to be some 20,000 or 30,000 people employed. I believe they never employed more than 2,200 or 2,500. It was shut down completely and reconverted into a small arms plant. Then that was abandoned and it was reconverted into something else. Now I understand it has been taken over by Kaiser who intends to produce something there, but the extent to which he expects to employ people, I do not know.

Mr. CRAWFORD. In reply to Mr. Folger, I think this whole situation is one that needs our attention immediately. I am not going to fight about the question of the jurisdiction of any particular committee over the subject, but I am going to oppose constant delay in dealing with this important subject, which has been sanctified by Mr. Jones' statement to the effect that here is the key to the future private enterprise system of the United States.

Mr. SUMMERFIELD. I think that is a good point. May I just say this, gentlemen? I said to Mr. Patman's committee some weeks ago that haste, immediate action on this thing, is imperative. There were some, a few months ago, who did not see eye to eye with me, or

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our committee, who said, "The war is on and you are talking about surplus war material. That is something for after the war." But right at this moment they are attempting to bring in 10,000 units of 38's, commercial pieces of equipment—10,000 of them. Already between two and three thousand of them have been declared surplus of 39's and newer models of commercial equipment; and between six and seven thousand new passenger vehicles. For some unknown reason, they are in an awful hurry to dump this stuff, with no thought to the condition of the economic structure of this industry and of this country.

Mr. CRAWFORD. May I add right there that some Government employees have been in my home town proposing to organize a corporation, soliciting capital funds with a proposition to the effect that they have the inside and they want to get a corporation set up so that they can buy this stuff for practically nothing, and then go out and start this deadly competition.

Mr. SUMMERFIELD. Maybe that is some of the stuff that they are talking about.

Mr. CRAWFORD. I think we might just as well hit this thing right on the nose. The gangsters are out to raid the United States Treasury and to make a fortune for themselves. I am opposed to it. And we know who they are.

Mr. SUMMERFIELD. Here is what is happening on this stuff that they have sold. People are bidding it in and paying as is ceiling prices in most instances. And in most instances, or in many instances, they are people who are not necessarily engaged in this retail business. Under the price ceilings we dealers have to operate within the law. We can ill afford to do otherwise. But these chiselers will go in and pay the ceiling price for something, and then turn around and resell it. So they have taken over practically all of the business there is, in this truck business. We dealers are doing less than 8 percent of the volume of used trucks in this country today?

Mr. WOLCOTT. Where do they expect to make their profit?

Mr. SUMMERFIELD. In the black market.

Mr. WOLCOTT. Do you mean that the Government is selling surplus property to these people who are selling it in the black market?

Mr. SUMMERFIELD. That is right.

Mr. WOLCOTT. Have you any instances of that?

Mr. SUMMERFIELD. Well, I would rather not say that, sir. But our position is this——

Mr. WOLCOTT. Of course, we are not an investigating committee.

Mr. SUMMERFIELD. The stuff is not going through the proper channels and consequently it is not being reconditioned, and it is not going to the people who need it most. And your truck industry, your transportation system in this country, is breaking down very rapidly. You have got to stop it. And this Congress is the only hope we have got. You are not going to be able to do that through any directive from the President, who wants to sell this property through the Budget Bureau, or through the Procurement Division of the Treasury Department. This is our only way of doing it.

This is one of the most serious problems facing this country today—this distribution of surplus material. There is $70,000,000,000 of property, and that figure is in excess of the national income of a good many of the years in the last 20 years. Just stop and think total of the figures that we are talking about.

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Mr. WOLCOTT. Mr. Patman, may I ask you this? What is the Defense Supplies Corporation?

Mr. PATMAN. It is a subsidiary of the Reconstruction Finance Corporation.

Mr. WOLCOTT. Set up under 5 (d) of the R. F. C. Act?

Mr. PATMAN. I presume so, Mr. Wolcott.

Mr. WOLCOTT. Have you given any consideration to legislation requiring the R. F. C. to create a Surplus Materials Corporation under (d)?

Mr. PATMAN. No; we had not, Mr. Wolcott. But this, in effect, will be doing that without establishing a new agency.

Mr. WOLCOTT. I wonder if it would. All through the bill it requires the R. F. C. to make these sales. I wonder if it would not be advisable at least to authorize them to set up a corporation under 5 (d), financed, of course, by the R. F. C., for this purpose.

Mr. PATMAN. That is certainly a good thought, to be considered. But you know, new agencies are not very popular now, and here we can administer something under existing agencies, which I think would be preferable.

Mr. WOLCOTT. The R. F. C. would have to set up a special division for this purpose, anyway?

Mr. PATMAN. Yes; and in actual practice that is the way I presume it would work out.

Mr. WOLCOTT. Of course, you have got to give consideration in this matter to the Price Control Act. I think perhaps it might be well for us to take some definite action in that respect because the R. F. C. at the present time is violating the law in respect to subsidies paid on butter and meat. Butter and meat subsidies are paid under 2 (e) of the Price Control Act. They get their authority under a proclamation by the President, that butter and meat are strategic and critical materials. The bill specifically says that when subsidies are paid on strategic and critical materials, the subsidies must be paid by a corporation established under 5 (d) of the Reconstruction Finance Corporation Act. There never was, in any law, any authority for the Reconstruction Finance Corporation to pay its moneys directly for this purpose. I think that perhaps we have got to be a little more definite in the future in respect to these things.

Now, I think perhaps you have to be a little more definite in the future in respect to those things. I wondered if it would not be well to give some consideration to the establishment of a corporation under 5 (d), so that we can sort of center the responsibility somewhere for the operation of this act.

Mr. PATMAN. I think we could keep that in mind, Mr. Wolcott, in the consideration of this bill. I do not know what the R. F. C. wish is about what you have brought up, but I am more or less familiar with the act you mention there.

Mr. WOLCOTT. Of course I presume it presents a very interesting academic question.

Mr. PATMAN. Yes. Of course, it is a question of how it is best to go about it.

Mr. MONRONEY. I think the Defense Supplies Corporation is a part of 5 (d).

Mr. WOLCOTT. It says to be paid by a corporation set up under section 5 (d).

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Mr. MONRONEY. That is right.

Mr. WOLCOTT. And all the information I can get is that any subsidy is paid directly to the R. F. C. and not through a corporation. As I say, it presents perhaps an academic question because the money is disbursed by the R. F. C., anyway; but it is a question of the centralization of control and we apparently had in mind that we would not have two corporations set up under 5 (d) competing with each other. Therefore we said, in effect, when a subsidy was being paid on metals, it would be paid to the Metals Reserve Company; when it was paid on rubber, it would be paid to the Rubber Reserve Company. I do not know whether any corporation has been set up under 5 (d) to administer food.

Mr. PATMAN. Mr. Chairman, if the committee has finished interrogating Mr. Summerfield, may I suggest that tomorrow we have some witnesses representing the dry goods, retail hardware, and machine-tools industries, and we will have one witness this week who will bring out further testimony regarding the black market in this surplus property, especially in the plumbing industry.

(After informal discussion, the committee adjourned until tomorrow, Tuesday, January 18, 1944, at 10:30 a. m.)

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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

TUESDAY, JANUARY 18, 1944

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Brent Spence (chairman) presiding.

The CHAIRMAN. Call your first witness.

Mr. PATMAN. Mr. Eastwood, I wish you would identify yourself for the record.

STATEMENT OF DAN W. EASTWOOD, CHIEF INVESTIGATOR FOR THE HOUSE SMALL BUSINESS COMMITTEE

Mr. EASTWOOD. I am chief investigator for the House Small Business Committee. There is some evidence to indicate that it is felt in certain quarters that this surplus-property problem is one that does not require very fast action. We have been told that it is primarily a problem of the post-war period and that immediate attention to it would have no perceptible value so far as winning the war is concerned.

I would like to point out that the present uncoordinated programs of the various agencies that handle their own surpluses definitely have an unfavorable effect upon the distribution of certain items needed in the war effort vitally. For example, the other day Mr. Nelson said that lumber was now the tighest of all materials. The Government in its purchase of lumber for its own agencies and for many of the war contractors has centralized all lumber purchasing in the hands of the Corps of Engineers of the War Department. The engineers buy for the War Department, the Navy, the Maritime Commission, and other Federal agencies and their contractors. Last year the engineers bought more than 6,000,000,000 feet of lumber, which was approximately 20 percent of all the lumber sold in this country.

At the present time the engineers report to us they are having difficulty in finding essential lumber for the manufacture of boxes and crates to be used for shipment of overseas material vitally needed by the armed forces overseas.

Mr. CRAWFORD. May I interrupt you right there?

Mr. EASTWOOD. Yes.

Mr. CRAWFORD. Just a few weeks ago, I think it was the first part of December, I called a certain colonel here in town and inquired of him why he was burning lumber by the truckload. I am prepared

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to give his name and the location where the burning took place. I went down and inspected this lumber before he set fire to it. A lot of it was dimension stuff, I would say worth $50 a thousand board feet on the open market right here in Washington, D. C. In reply to my interrogation he said that this lumber created a fire hazard and that he had to get it out of the way. That is a part of the operation that I was referring to yesterday.

Mr. EASTWOOD. For your information, Mr. Crawford, our committee has been making a study of the general lumber situation, and we have received some letters of complaint from a number of lumber dealers throughout the country that they felt particularly some of the branches of the Army had been a little lax in the handling of their surplus lumber. However, I think it would be proper to put in the record that our investigation shows that those instances are by far the exception rather than the rule.

We checked five specific reports sent in to us and found four out of five showed an accumulation which had occurred as a result of cut-backs in programs, and that was distributed by the Engineer Corps, and there were one or two instances—one which our committee heard in detail at the Pine Bluff Arsenal and another one at the Springfield Arsenal in Massachusetts—where they were either selling at scrap prices or were burning. Those cases of burning that we looked into, we did not find that the dimension stuff was good and usable. It probably could have been used by the civilian trade. I make no reference to your personal investigation. I give you that as additional information from ourselves.

Mr. CRAWFORD. My contention is that that lumber was suitable for scores of uses by the civilian trade.

Mr. EASTWOOD. Quite right.

Mr. CRAWFORD. I am not trying to tell the Army what they should do. What I protested against was the burning of this lumber.

Mr. EASTWOOD. This is not relevant, but I will say this: There are furniture manufacturers who are prohibited from acquiring lumber stock under L–260–A, this new conservation order of the War Production Board, but they can and do use slabs for their particular purpose, and there are certainly items of scrap and surplus lumber that could be used by civilians.

Mr. CRAWFORD. You can go out here within three blocks of this building and find a woodyard where our colored people in the District have to pay 25 cents for a basket of it, and timber fuel of that type is costing as much as one dollar a day to keep a little heat in the house for the babies and the women folks. Certainly we should let some wood dealer pick that lumber up here and bring it up here and sell it to those people, in preference to burning it.

Mr. EASTWOOD. From the standpoint of a relatively small amount of supply, I quite agree with you, but in this connection I would like to point out that I believe it is essential that we consider something on this now, because, for example, in the case of lumber, the Maritime Commission was asked to effect some cut-backs in the Seattle area a few months ago in order to enable the Boeing people to recruit more labor, and they canceled the contracts with three wooden shipbuilding firms. Those shipbuilding firms had over 10,000,000 feet of lumber, and the Maritime Commission, as I understand it, acquired all of that 10,000,000 feet of lumber which was the finest ship timbers and good

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boards suitable for any kind of purpose. Neither the purchasing officers of the Maritime Commission, as near as we can determine, nor the Engineer Corps of the War Department, the central procuring agency, were notified of this stock of fine lumber. It was not until one of our men told Colonel Sherrill, the head of the Engineer Corps, about it, that they even knew it existed. At the same time they were buying lumber for the Maritime Commission. It seems if that had been under some centralized control, such an occurrence would not have taken place.

Mr. Patman referred yesterday to this chinaware soup-plate matter, and that is only one of a number of examples that we have gone into. However, we have gone into that one rather thoroughly in order to see exactly what the procedures were. If I may be permitted to give you a little detail on that, I think that it might be helpful to get the procedures that they use.

Mr. PATMAN. Mr. Chairman, Congressman Halleck is here. He helped draw this bill with the help of the other members of the committee, and he would like to testify this morning, as the committee of which he is a member, the Rules Committee, is going to have a meeting, and if it would be permissible for him to testify now, I think that would be appreciated by Mr. Halleck.

The CHAIRMAN. I imagine that Mr. Eastwood will be glad to yield.

Mr. PATMAN. This bill was prepared by the members of the Small Business Committee. All of us participated in it.

STATEMENT OF HON. CHARLES A. HALLECK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. HALLECK. Mr. Chairman and members of the committee, I think this is one of the very few times that I ever appeared before a legislative committee undertaking to say anything to them about a measure pending before that committee for its consideration. By and large I have felt that sometimes as individual members, we might be more or less presumptuous in undertaking to indicate to a legislative committee what it should or should not do in respect to pending legislation. However, in this case, as has been suggested by the chairman of our Committee on Small Business, and as he has pointed out, this matter has been given attention by the Small Business Committee of the House of which I happen to be a member.

The bill was drafted by the committee and sponsored by the committee, and I am sponsoring this bill before your committee recognizing that there is necessity for dealing with this problem, immediate necessity, and recognizing this is certainly a way to start.

Mr. Chairman, I made a statement on the floor of the House at the time this bill was introduced. Would the committee like to have me read that? It was short.

The CHAIRMAN. Use your own judgment.

Mr. CRAWFORD. How much time will you be able to give us this morning?

Mr. HALLECK. I think that I can be through here in 10 or 15 minutes.

Mr. CRAWFORD. I do not want to hurry you.

Mr. HALLECK. I have a Rules Committee meeting this morning.

Mr. GIFFORD. Will you give us time to question you?

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Mr. PATMAN. He will stay here long enough to be questioned.

Mr. GIFFORD. You sit on the Rules Committee and heckle us pretty badly.

Mr. HALLECK. If the gentleman will permit me, I might suggest that I referred to the legislative committee, and the Rules Committee is not a legislative committee. It has been said on occasion that it undertakes to be one.

Mr. GIFFORD. What I am leading up to now is that we have this bill before my committee, and I want you to appear before it. If you will not, I will send for you.

Mr. PATMAN. Do you mean this identical bill?

Mr. GIFFORD. Oh, no. I am not putting it in the R. F. C.

Mr. PATMAN. Your bill wants to make a study. We have made a study.

Mr. GIFFORD. I think it is fair to tell this witness that I would like to know which committee he favors. He is on the Rules Committee.

Mr. HALLECK. With his usual precise mind, the gentleman from Massachusetts is presenting questions here that I think are deserving of consideration.

Mr. GIFFORD. I love praise from a man who deserves praise himself. Coming from you, thank you.

Mr. HALLECK (reading):

As a ranking Republican member of the House Small Business Committee, I desire to add my approval to the bill to regulate the sale of surplus war materials which Chairman Patman has introduced today.

This measure is the mature product of careful investigation and consideration. It is not a half-baked, suddenly inspired, half-coverage product. Your Small Business Committee has gone to the very roots of this problem, and it has, I feel convinced, prepared a measure which will be helpful to all taxpayers, the buying public, returning members of the armed forces, and particularly small businessmen and their employees.

The feature which pleases me most with this measure is its simplicity and clarity. It is a short bill of only a few hundred words. Any businessman can understand it; it does not require one versed in law and legislation to know what it is about.

Primarily it would set up a central agency to collect the goods. The Reconstruction Finance Corporation, an established Government agency, would be given the task of selling and distributing the goods.

Advisory groups of businessmen would aid in the dissemination of the goods. Thus the Government and taxpayers will be assured of getting fair prices for goods on which billions of dollars have been spent, the public will be assured of an opportunity to buy these goods at fair prices and small retailers will be able to fill their now-vacant shelves and meet their running costs while they are waiting for factories to get into production.

One thing which appeals to me about this bill is that under its provisions Congress does not try to set up a lot of complicated rules under which the agencies shall operate. It simply lays down general principles and then trusts to the judgment of those administering the measure to do a fair and decent job.

Speculators in war-surplus goods and others who want to take advantage of taxpayers by getting materials at less than their fair values are not going to like this bill. Such persons had a field day in the sale of surplus goods following the last war. They bought at a few cents on the dollar and sold at top prices. This must not happen again, and I do not believe it will happen if this measure is enacted into law.

There is need for speedy action on this bill. Surplus war goods already are being dumped in a shameful manner. The sales scandals which have come to light so far have not been pleasant reading, and my first-hand knowledge of the situation tells me that if Congress does not legislate soon, worse scandals are coming. The only other alternatives to legislation are a continuation of the divided, haphazard methods of selling by various Government departments which now are being followed, or selling under the highly unsatisfactory Executive-order plan. This country wants no part of either. The duty of Congress is clear.

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That is to pass this bill soon. I hope it is done by the united efforts of members of all parties just as this bill has been jointly approved in the Small Business Committee.

The CHAIRMAN. I think that you have answered Mr. Gifford's question.

Mr. GIFFORD. In what respect?

The CHAIRMAN. What bill he is in favor of.

Mr. GIFFORD. Did you say you were in favor of giving the R. F. C. this matter because they are the agency that owns the most property? They have millions of dollars of plants to dispose of. Why allow them to do as they please?

Mr. HALLECK. Mr. Gifford, I believe what I said there. I shall, with your permission, make this statement which is what I believe specifically in respect to R. F. C.: I felt that the R. F. C. is an agency of government that by and large has done a good job. Now, you refer particularly to plants. Maybe the language of this bill is a little too broad, I do not know. But my statement would certainly be clear indication of the fact that when I had reference to and spoke of surplus goods. I had reference to the movable goods that I think are clearly contemplated as the fundamental thing involved in this proposal.

Mr. GIFFORD. There are billions of dollars invested in plants. I cannot think of anything more dangerous, or likely to create a scandal, than having this tremendous investment under the R. F. C. I agree with you fully, I like the general expressions of this bill. They are so clear, you say, that any agency can understand and follow them, and any agency can. Why should we set up a new agency like this? If Congress lays down general provisions of law as to the disposal of property, why not let all of the agencies who have property dispose of it?

Mr. HALLECK. Let me say this. We have heard witnesses before our committee. I have talked to many, many people engaged in all parts of our business economy. I have been to meetings where people have discussed this problem, and if I have gained one conviction it is that the best judgment seems to be there should be some broad policy established covering the whole problem and the whole field rather than to leave various agencies all operating as they may desire to operate. I am firmly convinced of the desirability of something like the Surplus Property Disposal Board that is provided for in this bill.

Now, maybe I am wrong about the desirability of some over-all controlling policy, but I do not believe I am.

Mr. GIFFORD. Concerning the over-all controlling policy, I agree with you wholly. I am talking about the instrumentality to carry out that policy. So many crimes can be committed under that word "coordination." Now, do you want to centralize all of this work under one over-all board?

Mr. HALLECK. That is exactly what I say. That was the impression that I was trying to convey. The policy board will include the heads of the governmental agencies which have been engaged primarily in the procurement of this property. It has been said that they should have something to say in establishing the policy as to how the goods shall be sold, and then that policy-making board, which is not to handle in detail the disposition of the property, shall include men of experience in this sort of business.

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Now then, what is there wrong with setting up such an over-all controlling agency as that to set the broad general policy? My view is that it is what we need. I may be right and I may be wrong; I do not know.

Mr. GIFFORD. I want your general policy, but I want the Congress to formulate the policy.

Mr. HALLECK. I am also for the Congress formulating the policy, at least the broad fundamental policy, and that is one reason, and I think a good reason, why this problem that is already a great issue before this country, because goods are already being sold, ought to be given congressional consideration. That is the reason why I am here in support of this bill. As I said, not with the pride of authorship that says that you have got to pass this bill without crossing a "t" or dotting an "i," but—simply, let us start right here. I believe in this bill. I believe in the general approach of the bill, and I hope, through your committee, the Congress of the United States will proceed to pass upon this problem that I say is of immediate necessity.

Mr. GIFFORD. Mr. Halleck, I agree with you wholly except as to the policy commission that you want to appoint. My committee has a bill that the Bureau of the Budget ought to be the control.

Mr. HALLECK. You can be for the Bureau of the Budget doing this if you want to, and I do not know whether you are or not, but personally I am not.

Mr. GIFFORD. Even as to the future, you would not trust the Bureau of the Budget?

Mr. HALLECK. I will pass that. My genial friend from Massachusetts and I get along very well. I want every one to understand that.

Mr. CRAWFORD. May I ask a question on this same point? I am caught in the squeeze here between my friend from Massachusetts and my friend from Indiana.

Mr. HALLECK. We are not going to squeeze you very hard.

Mr. CRAWFORD. This is not going to be a leading question: Based upon what you have seen, what you have heard, and what you have experienced, do you know of any other agency of government that has in recent weeks and months and in the last 2 years been as friendly to the private enterprise system as has been the Department of Commerce, the Secretary of Commerce, and the Reconstruction Finance Corporation?

Mr. HALLECK. I do not think I do. If I get you correctly, I think that I agree with what you are indicating in your question.

I would go back further than that. We had Mr. Jones before our committee. I take it every one of us in the disposal of the movable goods, as well as the plants, the property and the real estate, wants to preserve our system of free enterprise under free government, and no one can deny that as we approach the day of reconversion with all these plants scattered all over the country and this tremendous quantity of goods, there will be serious problems before us as to how the interest of the Government in those plants can be protected, and at the same time our system of free enterprise not be destroyed, and that the whole thing be worked into the system of our economy to the end that at the close of the war and as we get back into the production of consumer goods and their distribution, that the whole thing can be worked out satisfactorily.

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Mr. CRAWFORD. May I ask another question? In view of what the gentleman has just said, may I state my question this way: Do you know of any other agency of government, that is, other than the Department of Commerce, that has been preparing extraordinarily valuable material in the way of constructive suggestions and sending out to the various branches of the American enterprise system that material? Do you know of any other agency of government than the Department of Commerce that has been attending the trade associations where the management of private enterprise goes, attends, and where there is any more of a sincere effort to get the minds of management to thinking on this thing and doing a constructive job? In other words, I am trying to find out if in your contacts and experience you have found any other agency of government doing this particular thing, outside the Department of Commerce.

Mr. HALLECK. I would not know about that, Mr. Crawford. I have heard it said that the Bureau of the Budget has given some consideration to this problem. I think it has been said that some of the procurement agencies have been giving some consideration to it. I think probably our committee stimulated a little interest by opening some hearings and holding some hearings and sending for some of the people who have definitely to do with this problem, but as to the details of it, I do not know, and I would not be prepared to say.

Mr. FORD. Might I offer a comment? Mr. Crawford points out that the Department of Commerce has been sympathetic and has gone to all of these meetings and all of that. What other department would be likely to be more interested in the conduct of business than the Department of Commerce? That is its over-all job.

Mr. HALLECK. I think that is fundamentally correct. I think that is true. However, I think that it might be fairly said that since the Army is already selling a lot of property and various procurement agencies are——

Mr. FORD (interposing). I agree with the general principles of this bill, but I am talking about the Department of Commerce. That is its job, and they are doing a good job on it, and we expect them to continue to do that.

Mr. HALLECK. I can conclude in a few minutes, and I shall be glad to submit to any questions then, but I would like to conclude.

Mr. PATMAN. Since you mentioned our study of the problem, we commenced back in September and since then have been giving this problem constant hearings.

Mr. HALLECK. Without regard to the mechanics of the details, it seems to me there are broad fundamental objectives that should be sought by any legislation dealing with this problem. To my mind, of first consequence is the desirability of getting the best possible return to the Government. Whatever money we get in from the sale of this surplus property will by that amount reduce the national debt with which we will be burdened when this thing is all over. I think that also we should try to get these goods wherever possible into the hands of the people who really need them and need them the most. For instance, upon the termination of the war there will be certain equipment, whether it be machine tools, motor vehicles, or anything of that sort, for which there will be here or there a crying need. N
I say that it is the duty of Government to see that those needs a

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another thing that seems to me to be of the highest importance is that we try for an orderly distribution of these goods, avoiding dumping. Now, why would that be advisable? Simply because if you dump all these goods we further dislocate our economy. We make it more difficult for industry of the country to pick up its place and to carry on and put men back to work.

In connection with that, of course, there will be a tremendous pent-up demand for a lot of these things, and so while we want an orderly distribution to avoid dumping, we want at the same time a speedy distribution where necessary and desirable, so that those industries, or those individuals, or those businesses that need part of this property can get it as quickly as possible.

Mr. GIFFORD. Would you add to the bill to give this board the power to stop overproduction? It would be worth a pound of cure to stop it. I read now, for instance, that there are tremendous quantities of aluminum and even copper away beyond any possible use.

Mr. HALLECK. When we had Under Secretary of War Patterson before our committee, it had come to my attention that knit underwear, heavy underwear for youngsters or for grown people, was extremely scarce, and I undertook to point out to him as a partial solution of this problem the line should be tightened on the accumulation of goods that were not needed in the war effort. In other words, I agree with the gentleman from Massachusetts completely that as we pile the surplus goods higher the more disastrous is the effect upon our present-day economy and the more disastrous will be its effect on our subsequent economy, but I seriously doubt whether or not the judgment of such an agency as this could be superimposed at this stage of the proceedings with the country at war upon the determination and judgment of those who are running the war.

Mr. GIFFORD. That is what I wanted to know. You do not want the W. P. B. superseded by any higher authority, even though they hesitate to release these quantities of goods for the peoples' needs.

Mr. HALLECK. I felt for a long time—and it is apart from this, Mr. Gifford—that the W. P. B. and the Office of Civilian Requirements of the W. P. B. should be giving more attention to the supplying of the essential needs of our essential civilian economy, but of course much of that is not in the control of the W. P. B. because if the Army or the Navy sends down and says, "We must have this," and it gives the material that priority, I have not understood that the W. P. B. even is in position to definitely veto that request of the military services.

Mr. GIFFORD. You and I know the helplessness of the civilian end of the W. P. B. We have had experience with that. Undoubtedly you have had that experience and certainly I have. Should there not be some authority granted to stop this piling up to prevent what we are trying to avoid here, and again, is there not any authority—and I will ask you this because perhaps you know—that can force the W. P. B. to act? Look at cotton goods. The manufacturers have learned how to make a higher grade that does not come under the ceiling. Do you realize the importance of this thing that is happening?

Mr. HALLECK. I certainly do, and I might say to the gentleman that our Small Business Committee has contended with that problem and tried to do something about it, and as for myself in my individual

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capacity, I have insisted on every occasion that matters of that sort be given careful consideration by those in charge of the operation of our procurement agencies—the carrying on of the war and the other things involved.

Mr. GIFFORD. All I am trying to get at is, are you willing to put in the bill the authority of the W. P. B. in those matters?

Mr. HALLECK. No; I do not think I am. I think this is a surplus property disposal bill, and I think it should be retained as such.

Mr. CRAWFORD. Is it not true that Mr. Jesse Jones and the Department of Commerce have closely conformed to the views that you just expressed and that they have aided the various communities of this country operating through local chambers of commerce to make a detailed survey of every kind of requirement that the citizens in those respective communities will need. In other words, they are shaping this thing up from the very grass roots back to the total summation of these surplus materials. So immediately when war orders are terminated these local agencies operating through Mr. Jones' department of the Government may begin to move this material instantly giving work to the people and thus providing a highway over which employment may occur until civilian production moves back in after being transformed from war production to peacetime production.

Mr. HALLECK. I understand that is being done, and right along that line, let me make this other point. It strikes me as being important.

Hundreds of thousands of retail merchants and wholesalers and distributors of all sorts have found themselves with an increasing shortage of goods to be sold. Now, all over the land those people are holding on. They are keeping their doors open because after all we need a system of distribution now and we will need it much more when we have the job of reconversion to our peacetime economy, so I say that for the job they have done they are the people who should be given the preference in handling the distribution of these surplus goods.

But I urge it for a reason that is above and beyond that, and that is, apart from their just desserts in that regard, they are the people (1) who will get the most money for the Government, (2) who will get the goods quickly to the people who need it, (3) who can provide an orderly distribution as distinguished from a disorderly distribution.

I plead for them as against what we refer to as speculators who were so prevalent after the other war, who bought up great quantities of these goods and then opened up stores all over the country making for themselves enormous profits and adding to the difficulties of the legitimate retailer across the street who, through all the trouble, had been been hanging on by his eye teeth hoping for the day when he would again have something to sell and could again take his place in the economy of the country.

Miss SUMNER. Could you answer a question right here on page 4 of your bill. You do not make it mandatory that the property should not be acquired for speculative purposes, and you do not make it mandatory that the property should be high enough to enable the user to secure a fair return consistent with the facilitation of disposal.

Why do you not make it mandatory? Do you think of any cases where that should not be made mandatory?

Mr. HALLECK. My view is that the bill is so drafted those policies and those principles upon which this whole

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proceed, and I will confess that at times I am led to wonder whether langauge does create an absolutely mandatory situation, or whether there is a degree of permission or discretion yet present in the language.

Miss SUMNER. We have had experiences where even mandatory language was disregarded, and when you put it in here that it is not mandatory, and it goes so far as to use the expression, "so far as practicable," you know in advance that there are a lot of people around here that do not have the same ideas of practicability as the fellow with ordinary business sense.

Mr. HALLECK. I realize that; yet, as I said in my opening statement, I do not believe that the Congrdss can write the infinite detail of the bill.

Miss SUMNER. In writing the bill, did you think of any exceptions other than those two policies, with reference to giving the Government a fair price consistent with the facilitation of disposal, and also not selling for speculative purposes? Could you think of any more exceptions?

Mr. HALLECK. I do not recall specifically about that, and I do not recall that I had any definite impression, Miss Sumner, as we went along on that particular phase, except that it was contemplated that those principles be followed, and I think they should be followed.

I would like to point this out, if I might, as possibly bearing on that point.

We use the word "speculators" as we sometimes use the word "bureaucrats."

Now, somebody says, "Define that," and so when you have that situation, it is something else again. In a way it might be said that an established retailer who buys a lot of these goods to be retailed in his store is, in a sense, speculating insofar as speculating involves some chance taking.

Miss SUMNER. You are afraid speculation might include the word "profit making."

Mr. HALLECK. I point that out as a possible interpretation. My idea of a speculator is one who never was in a business before; or who was not in any particular line of business, but who jumps in here and buys a lot of stuff, or jumps in there and buys a lot of stuff, and then undertakes to peddle it around, apart from being in any established line of business. It is that latter who I think should be proscribed under the terms of this bill. And yet, at the same time, there may be certain circumstances under which goods would not move in established channels of trade. I am fearful as to just how definite or specific it can be made. But certainly, as a matter of principle and policy, those are the principles and policies in which I believe and which I am confident are believed in by the overwhelming majority of our people who have given this problem any consideration at all.

Mr. MONRONEY. It is anticipated, of course, that a lot of these goods will not be sold to the highest bidder under this plan, but probably will be sent through channels of trade which will be less disruptive to the resumption of business.

Mr. HALLECK. I cannot see any reason why, if a fair price can be lished on a lot of surplus goods—overalls or knit underwear, or thing else—that it should not be available at that price, even as a ufacturer might sell it to the trade in the country. I agree with gentleman that it would not be necessary in every instance that be a matter of competitive bids.

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Mr. MONRONEY. We might be penny-wise and pound-foolish if we placed these things in a position where they would overhang the market forever and defeat our chances of reconversion of the civilian economy, would we not?

Mr. HALLECK. Yes; I think that is true.

Mr. ROLPH. Mr. Chairman, I suggest Mr. Halleck be permitted to finish his statement before we ask any further questions.

Mr. HALLECK. Mr. Chairman, it is necessary that I get along. I just have this one further thing to say. Of course, I have had for a long time a tremendous interest in the necessity of the preservation of the small business of this country. It is a little stereotyped to say it, but it is true that small business has been and will again be the backbone of our whole economy.

Mr. ROLPH. Before you leave, Mr. Halleck, I would like to make this comment. There was some discussion in connection with the matter of real estate. The question arose here yesterday, asked by Representative Ford, and I would like to point to it, because it indicates clearly the situation that is faced by nearly every political subdivision of this country. The question Mr. Ford asked yesterday was as follows:

> Mr. FORD. Here is another thing that will be coming up. A great many of the cities of the United States are on the seaboard. Take, for example, the case of Los Angeles. There we had a very large surplus of frontage along the harbor that we expected to develop, but the Navy came along and had to have it. I would not want that property thrown open to bidding for outside interests. I would want that property reserved so that the city of Los Angeles could recapture it after this war is over. It will be surplus United States property, but the city of Los Angeles held that for years to develop their harbor. Then the Navy came along and took it. The Army took some, too. I would want any bill for the disposition of that surplus to include that wherever a municipality had property that was intended for further development at a later time, that that property should be turned back to the city at not one cent less than what they got for it. I would not want private interests to get a hold of it.

I have exactly the same situation in San Francisco, and Representative Sullivan indicated in his statement that he had a tremendous magnesium plant just outside of Boulder City. I think it would be very unwise for any corporation to handle the disposition of that property; any corporation such as this, which is established primarily for the disposition of surplus merchandise, but not surplus plants and real estate. I think they should be divorced entirely. I would like to have your comment on that, as to whether you think this bill should include property such as Mr. Ford and Mr. Sullivan and myself have in mind, and that most of the rest of us have in our various congressional districts. I wanted to know whether you, being primarily interested in protecting small business, think that that sort of property should be included within the property that is being contemplated to come under this bill.

Mr. HALLECK. Of course, the situation that the gentleman points out is a situation about which I have heard more or less casually in the past. I think it presents a separate and distinct problem.

In a general way, on that proposition—and before the gentleman came in—I had said in the statement that I read to the committee at the opening that what I had in contemplation, with reference to this bill, was movable goods, surplus goods. I do not know just how extensive it is; it is not exactly consumer goods, because it involves machine tools and a lot of other things. But it is that sort of good

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to which I have given particular attention as distinguished from this broader problem of the disposal of plants and real estate, those things that are presently on hand in large measure, I suppose, under the jurisdiction of the Defense Supplies Corporation.

Mr. ROLPH. I thank the gentleman for his observation and I want to say that I am very much in favor of this legislation.

Mr. BALDWIN. The questions that have been asked so far indicate that your principal difficulties are going to come in real estate. If you divorce the real-estate part of it, or even if you handle it through the same central organization, but by different legislation passed at a later date, we are going to have a much better chance of getting agreement on the commodity merchandise part of the bill.

Mr. HALLECK. As I indicated, I have a measure of pride of authorship in this bill. I am for this bill, but as to just the details that finally will be approved by your committee and by the Congress, I would not undertake to impose my judgment. I am convinced, as I said earlier, that in the disposal, or the handling, of these great Government plants that have been built over the country, we have one of the most tremendous problems confronting us. The solution to that problem is something for which we must strive.

Mr. Chairman, I have concluded, unless there are some further questions. I have taken more of your time than I had anticipated I would. But I thank you for permitting me to appear and to offer my comments in respect to this legislation.

The CHAIRMAN. And we thank you, Mr. Halleck.

Mr. PATMAN. Mr. Chairman, Mr. Eastwood will resume now, if he may.

The CHAIRMAN. Mr. Eastwood may resume his statement at this time.

Mr. PATMAN. Mr. Eastwood is the chief investigator for the House Committee on Small Business and has had charge of the hearings before our committee on this matter.

STATEMENT OF DAN W. EASTWOOD—Resumed

Mr. EASTWOOD. Mr. Chairman, as an employee of the House Small Business Committee, I do not feel it is within my province to make any comments. All I can do is to report some of our findings. I do not know how many details you will want to hear from an employee on this matter, but I had started a few minutes ago to discuss the procedures, and that led up to his chinaware soup-plate incident, that case Mr. Patman mentioned briefly yesterday. It seemed to me that that gave you gentlemen some insight into how these things operate and how loosely these matters are handled today.

The CHAIRMAN. You may proceed in your own way, Mr. Eastwood.

Mr. EASTWOOD. Thank you. I would like to comment, however, in respect to something that Congressman Gifford said. Now, this is not my own opinion. I am reporting testimony which was given before our committee. Under Secretary Patterson, Admiral Land and Mr. Jones testified before our committee, to the effect that they did not believe surplus property should be handled by seperate agencies; that they thought it should be turned over to one central agency. I think that is relevant to your consideration of this matter, because those gentlemen spoke for their agencies in stating

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that they, representing the Army and the Maritime Commission, for example, did not want to handle it themselves.

Mr. WOLCOTT. I wonder if you could identify that in the hearings, so that we can refer to it.

Mr. EASTWOOD. I shall be very glad to put it in. I have the hearings here.

This chinaware soup-plate deal is a small matter, in dollars and cents, but it is typical of the way in which these things are handled.

The War Department purchased several hundred thousand chinaware soup plates, about a year and a half ago, or less. This plate is a standard item for the Army, the Navy, the Veterans' Administration, the Public Health Service, and is listed as the standard soup plate of this type in the Federal Specifications Catalog of Treasury Procurement. The plate, however, was too large to fit into a six-compartment mess tray, a metal mess tray, and the mess sergeants, I am advised, felt that it should not go on that tray, that it would not fit comfortably; so they never used it. It therefore became a surplus item in the eyes of the War Department.

However, due to War Department phraseology, it was declared by the War Department to be obsolete, and they put 50,000 of them in one block, last spring, brand new, still in the original packing boxes, and marked them as obsolete.

I inquired as to why they called them obsolete and was told that that was the way they catalogued those things under Procurement Regulation No. 7, which is the Army's over-all regulation covering redistribution and disposal of surplus or excess items. An obsolete item, as I get it, does not have to go through quite the same procedural channels as a surplus item that is offered for sale.

So those 50,000 new soup plates were sold by, I believe, the Quartermaster Corps in Jersey City, at a price of 12½ cents apiece, to the Balter Sales Co., of New York City. I believe they cost the War Department approximately 18 cents apiece.

The Navy Department, shortly after the War Department declared these surplus, acquired 30,000 of these by purchase from a pottery at 17.8 cents apiece, having received no notification from the War Department that these were available. The official in the War Department who gave me the facts on this incident stated that the War Department had asked the Treasury Procurement people if they had any use or any sale for these plates, and the Treasury Department had advised that they did not know where to dispose of them, which would indicate that the Navy had not notified Treasury Procurement, or Treasury Procurement had not inquired of the Navy. So the sale was made as obsolete equipment.

Now, there was a revision of Procurement Regulation No. 7 in October, October the 15th. However, during the fall of this year approximately 200,000 more of these plates were declared surplus, in this case by the War Department, by various depots in the South. They were turned over to Treasury Procurement for sale.

The Treasury Procurement sold these in December, after issuing a brief notice that they were going to be sold. Most of them were sold by the Atlanta regional office and some by the Fort Worth office.

The new plates sold, I think approximately 60,000 of them, for 8 cents apiece. The used plates, numbering 125,000 approxima

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sold for 9 cents apiece. The names of the purchasing firms were such names as the Marine Junk Co.; the Army Salvage Co.; I believe the Trenton Hotel China or Pottery Co.—I am not sure of that name; the Morris Sendar Co., and other names.

It develops that the Army received 4½ cents a plate more than Treasury Procurement, the professional selling agency, received.

However, just to complete that picture, on December 23, I am advised by Admiral Young, the Navy purchased 110,000 of these same plates. It is a recurring procurement item in the Navy. They buy them three or four times a year. They were bought at 18 cents apiece from an established pottery manufacturer. The Navy Department had never received—and this report comes from another officer—the Navy Department had never received notification that these items were in existence.

Now, the Treasury Department is our peacetime surplus property disposal agency. Under the Executive order—I have forgotten the number—the Bureau of the Budget was instructed to investigate and locate these surpluses in the various agencies and to have them declared surplus and turned over to Treasury Procurement for disposal. That order was issued about a year and a half or 2 years ago.

The Bureau of the Budget people with whom I talked advised me that they had not done very much about that; that the bulk of the surpluses were in the military services, and they just were not able to get them out, or away from them; that they had done a little of it; that the N. Y. A. and the W. P. A. items, amounting to a few million dollars, had gone to Treasury. But when Treasury Procurement handles these things, they apparently use a peacetime procedure which permits the local Treasury man, in the field office to classify these goods.

Class A is new; class B is slightly used, almost like new. Class C means good, serviceable, normal condition. In the case of the soup plates that brought 9 cents, they were class C. In the case of the ones that brought 8 cents, they were new, class A.

Then they have other classifications which describe damaged goods as class X. Mr. Crawford showed us an example of a class X item yesterday.

The Treasury also insists in certain cases, in fact in most cases, that various unrelated items, that would not necessarily be of any value to a single purchaser if taken in the lump—they insist that those be sold as a lot. They also put together tremendous stocks of single items. For example, in Fort Worth the other day, they sold several hundred thousand dollars worth of electrical supplies; hard to get, in many instances requiring priorities. They had them all together so that I do not believe there was a man in the State of Texas in that business who was able to take that order on. I do not think it went to a Texas firm. It is my recollection—this is recollection and not accurate reporting—the point is that they put so much stuff together that it means that a local dealer cannot afford to buy the whole lot. He does not have the finances with which to do it.

Mr. ROLPH. Do they have to pay cash for this merchandise?

Mr. EASTWOOD. Yes, sir. There is one other point that I could make on this. I am on the Treasury Procurement mailing list, because I wanted to find out what these invitations look like. I do

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not get my invitations sometimes until after the sale has taken place, and yet I assume that I am on the regular mailing list, to get them as early as anyone else.

Mr. CRAWFORD. I should like to ask a few questions right at this point. Mr. Eastwood, when the Treasury prepares this mimeographed list, which is mailed out to those on the mailing list, showing these classes and lot numbers, and so forth, if you receive one of those lists in time to submit your bid, I would like to ask two or three questions about procedure.

In the first place, when you submit your bid, what percentage of the total bid price do you have to put up in cash?

Secondly, if you submit your bid and deposit the cash, and you should be the high bidder, is the Treasury obligated to sell to you?

Third, can the Treasury, under its procedure, reject all bids and, in some cases, does it reject all bids?

And fourth, in the event it rejects all bids, what does the Treasury Department then proceed to do? That is, does it in some cases proceed to negotiate a sale, using the bid prices somewhat as a guide?

What can you give us in the way of information on that general procedure?

Mr. EASTWOOD. Answering your first question, which is, When you submit a bid, what percentage of the total bid price do you have to put up in cash? The customary amount is 25 percent, but it varies.

Mr. CRAWFORD. Is that in the form of currency, or certified check, or money order, or your personal check, or what?

Mr. EASTWOOD. Checks and money orders shall be accepted as bid deposits only if made payable to the Treasury of the United States.

Mr. CRAWFORD. Now, one more question on that particular procedure. If you are really interested in buying a lot of this material, and if the Treasury is not forced to act on your bid quickly, and if you are dealing in considerable quantities, you could tie up, or have tied up, an enormous amount of liquid funds, could you not?

Mr. EASTWOOD. It would be my opinion that you could; yes, sir.

Mr. CRAWFORD. Especially if you got into deals like the one at Fort Worth, that you mentioned.

Mr. EASTWOOD. Yes, sir.

Mr. CRAWFORD. You might have a hundred thousand dollars tied up for several days or several weeks, and still you would not know whether or not you were going to get the material.

Mr. EASTWOOD. The second part of your question was, If you submit your bid and deposit the cash and should be the high bidder, is the Treasury obligated to sell to you? The answer is "No."

Your third question was, Can the Treasury under its procedure reject all bids and, in some cases, does it reject all bids? The answer is "Yes."

Your fourth question was, In the event it rejects all bids, what does the Treasury then proceed to do? That is, does it in some cases proceed to negotiate a sale using the bid prices somewhat as a guide?

The answer to that is this: Not having had personal experience, because I have never bid on any of this stuff myself, I can only report what I have been told by persons who have acquired merchandise from Treasury Procurement. I understand that a great many times all bids are rejected and the local officer sets a price at which I

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offers this to interested bidders or interested persons. It is not a question then of making a bid. However, I assume that the price that that officer sets is considerably higher than the highest sealed bid submitted.

Mr. TALLE. Will you define the term "local officer"?

Mr. EASTWOOD. I will localize it as far as the regional office is concerned. The Treasury has regional offices all over the country and I think the regional officers probably have the final authority on those sales. However, they have these depots scattered all over which, as Mr. Crawford pointed out in Washington here, are part of the regional set-up. I imagine—from what I have been told by purchasers; and I want to be sure that you understand that when I say that, it is hearsay—it is largely a question of the man in charge of that particular warehouse, who sets that price.

Mr. TALLE. That is the regional office?

Mr. EASTWOOD. The warehouse, which is part of the regional set-up.

Mr. CRAWFORD. Warehouse or storage lot.

Mr. EASTWOOD. Yes, sir; storage lots also.

Mr. CRAWFORD. If I understood you correctly there, you said, in substance, that sometimes you receive these lists and immediately make inquiry and find that the goods were sold before you received the list; is that correct?

Mr. EASTWOOD. No, sir; I said that I was on the mailing list, but that I usually did not get the invitation until after, or a day or two before, something was going to be sold in Chicago, or Kansas City, or Fort Worth.

Mr. CRAWFORD. I misunderstood you. I understood you to say that the goods were sold before you got your mailing list. Now, do you know whether or not the Treasury procedure is such that some of the fellows who are on the mailing list are not permitted to submit bids for some of the lots or classes, say, because they are considered too small a fish to fool with? Do you run into anything like that?

Mr. EASTWOOD. No, sir; I have not.

Mr. CRAWFORD. You have not had your suspicions aroused in that respect?

Mr. EASTWOOD. I think that the Treasury Procurement uses its own local judgment in selecting the people to whom these invitations will be sent, unless they have been specifically requested to send an invitation notice on that type of article.

Mr. CRAWFORD. That answers my question on that. Now, suppose the Treasury should go out here—along the lines you were discussing awhile ago—and find that there was some construction equipment for sale in Honolulu, for instance; so far as you know, would the Treasury solicit someone here in the States to purchase that equipment, assuming it were some large item, such as road-building machinery, something like that?

Mr. EASTWOOD. I know of an instance where that was done; yes, sir; it was reported to us.

Mr. CRAWFORD. What is the general procedure in cases of that kind?

Mr. EASTWOOD. I do not know exactly. I could not tell you exactly in cases where the material is located in our territorial possessions or

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outside of the boundaries of the country. I do know that local officers of the Treasury in this country have offered for sale equipment located in the Panama Canal Zone, for example.

Mr. CRAWFORD. For instance, I am thinking right now about Puerto Rico. Recently we had the Public Works Administration cease operations in Puerto Rico. But, for months, perhaps for years, they were engaged in building roads down there. I have the idea that there is an enormous amount of construction machinery there. And I am just wondering whether the Treasury Department will dispose of that machinery under their present procedure if it is found to be surplus property.

Mr. ROLPH. If the bids are opened in Washington, would not everybody in the country have an opportunity to bid on it? Of course, if the bids were opened in Honolulu or in Puerto Rico, then only those local people would have that opportunity.

Mr. CRAWFORD. No; if the Treasury Department forwarded me one of those lists, I might go down there and say that I would like to bid on this; or I might say, "Would you give me time to make an airplane trip to San Juan and let me look over the field? It looks like there may be two or three hundred thousand dollars' worth of equipment and it is worth going down to look it over."

Mr. ROLPH. But bids would have to be opened in public somewhere.

Mr. CRAWFORD. No; we have already established that they do not have to sell on a bid basis. They may ask for bids and then ignore all the bids and proceed to negotiate a sale.

Mr. ROLPH. And not even open those bids publicly?

Mr. CRAWFORD. No; at least, that is my understanding.

Mr. EASTWOOD. I would not want to be recorded as stating that they do not open the bids publicly. I assume they do, but they have the right to reject them.

Mr. CRAWFORD. They have the right to reject all of them?

Mr. EASTWOOD. Yes, sir.

Mr. GIFFORD. I would like to say that we went into this matter thoroughly and we had the Treasury Procurement Division before us. If any of you gentlemen are interested, you might read the hearings. We found that the principal difficulty was that after one agency gave up to another agency, they had to turn the money back into the Treasury, and the great draw-back of many of the departments was that they turned back less than the amount of the appropriation; it affected the amount of their appropriation in one way or another, and some of them almost refused to do it.

When the W. P. A. was abolished, for instance, we had a tremendous amount of that machinery all over the country. We questioned the Procurement Division very closely as to how they would dispose of that property. All of that is in the hearings.

Now, Mr. Eastwood, as I understand, your intention this morning is to sort of show up the procurement agency as not being efficient, so that this job might well go to this other agency; is that right?

Mr. EASTWOOD. No, sir; I would not like to be recorded as trying to show them up. I am trying to give examples of how this procedure works.

Mr. GIFFORD. What is the object of that?

Mr. EASTWOOD. It shows a lack of coordination between these agencies, in our opinion.

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Mr. GIFFORD. That is what we tried to show, a lack of coordination. But it always came back to this question of their appropriation, and this money being charged against them. The Budget Bureau, for instance, said that if they were to keep this money and use it in their own agency, they would not know how much to recommend in the way of a budget for them. That is why the Bureau of the Budget wanted to control this matter; at least, that was one reason why.

Mr. CRAWFORD. Mr. Gifford, as I understand you, you say this in substance—and I have been in a great many arguments similar to this in connection with corporation procedure; that is, where the accounting department gets involved with the production department or the sales department, something like that—if I understand you correctly, the Budget Director is primarily interested in getting the proceeds from these sales back into his hands, so as to prevent the interested agency from using those funds, in a sort of revolving manner, let us say. Is that his primary interest?

Mr. GIFFORD. I think you have expressed it correctly. But that was the great draw back, that they would not notify the agency that they had this surplus, if they could not have the money back to spend.

Mr. CRAWFORD. Why could not the committee, if it deem it advisable, insert a simple provision in whatever bill is reported by whatever committee, directing that these funds be covered back into the general fund of the Treasury, and then the agency could not play around with it?

Mr. EASTWOOD. That is in this bill, I believe.

Mr. GIFFORD. Yes, that is. But that is what makes many agencies hesitate to dispose of or to notify this agency that they have surplus property.

Mr. CRAWFORD. I see that.

Mr. GIFFORD. And they have not done it. We know that. As to that chinaware incident of yours, did you have an explanation from the Procurement Division relative to that?

Mr. EASTWOOD. Yes, sir.

Mr. GIFFORD. Did they send out regular invitations to bid?

Mr. EASTWOOD. They had regular invitations to bid, but these chinaware items were scattered through a number of other invitations. The soup-plate sales by the Atlanta division—this [indicating papers] represents about half of the notices on that, and they are scattered all the way through; for example, as lot number so-and-so, and declaration so-and-so. So that you have just got to know where to look for them, in order to find them. They did not bunch them all together, even though they were all for sale in the same month and in the same office.

Mr. GIFFORD. You have gone through all this, but, for instance, we were trying to find out what we could do about the material that there was in an Army camp that had been suddenly transferred. We had a number of glaring examples concerning the disposal of property. They disposed of the property in any way possible, because they were leaving, and they could not be bothered to account for it. If you are going to go into such examples as this chinaware example, you could have many of those shown. What I would like to know is, is there any way you can control the Army and the Navy during a war through an agency like the one suggested, no matter how many rules and regulations you had?

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Mr. EASTWOOD. Yes, sir.

Mr. GIFFORD. Perhaps you can tell them what to do, but I have been up to some of these camps, and I have seen them. They took me over and showed me the storehouses. They showed me the way they kept track of these stocks. They claimed that they knew every minute exactly what there was at the camp. But it was all bookkeeping. Let us say that somebody has stolen a thousand pairs of shoes, or burned them. That merchandise would be marked as condemned. They would just use one word, "Condemned." Then they would leave camp suddenly, and there was a tremendous amount of that material, and they are not going to submit notices of that to some other unit, especially if they have to account for it or explain it. It is just marked "Condemned." Do you suppose that this other agency can do any better?

Mr. CRAWFORD. As I understand the general approach of the bill, Mr. Gifford, it is that this particular agency, the R. F. C., would not come into the picture until the Board had actually certified this as being in existence and being surplus material.

Mr. GIFFORD. Exactly.

Mr. CRAWFORD. Is that right, Mr. Patman?

Mr. PATMAN. Yes, sir. You see, there will be an Army man on the Board, and a Navy man on the Board, and a representative from the other agencies.

Mr. CRAWFORD. So there is a physical inventory on which you can place your hand before certification will be made. Now, Mr. Eastwood, I would like to ask you one or two other questions. Suppose I am a construction contractor and I get a war contract to do a big job. Now, in the handling of the job I have to use a lot of heavy equipment which belongs to me as a contractor, but the cost of which is covered in the price of the contract. It has a considerable salvage value.

What did your investigation indicate that these fellows were doing with that surplus equipment that they now have on hand? Are they selling it, or are they holding it off the market in connection with their liability under the Federal income tax provisions, incident to its disposal? What kind of working arrangement is there between the Treasury and those contractors who are holding that equipment off the market? And how much of that equipment have we got bottled up in items of that kind, so far as your investigation showed?

Mr. EASTWOOD. There is a lot of construction machinery that is bottled up, because the firms owning that construction machinery do not want to pay the tax they would have to pay, and unless they are threatened with condemnation by the Government, they just hold it and store it.

The lumber industry in the South is crying for trucks. Ninety-five percent of the lumber goes on trucks down there and there are trucks down there in the hands of large contractors who will not sell them, on account of this tax situation. There is no way that the Southern Pine industry can condemn those trucks. But if we want some of that construction equipment for lend-lease, to go to England we could condemn it, in which event there is an authorization from the Treasury Department, the Commissioner of Internal Revenue, to the War Production Board, Construction Machinery Division, which allows

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them to escrow those proceeds for replacement purposes, safeguarding them from the heavy penalties of the tax.

Mr. CRAWFORD. In other words, they do not have to report that transaction in submitting their taxable income.

Mr. EASTWOOD. I would not want to state exactly how lightly they get off; but they do get off to some extent.

Mr. CRAWFORD. There is no tax liability incident to it?

Mr. EASTWOOD. It is postponed. The money is held in escrow and the determination of the total liability depends on what they do with that escrowed money.

Mr. CRAWFORD. I raise that question because down here before the War Production Board we have representatives from various counties in various States, representatives of cities and municipalities, trying to buy certain types of equipment. Based on the experience I have had with cases in the last few days, you cannot buy any of that equipment. They say that the Army and the Navy need all that there is; that they have got to send it over to England, for instance, to use for the purpose of stripping coal mines. The county of Gratiot, in the Eighth Congressional District of Michigan, with headquarters at Ithaca, Mich., is now in the market for some of this material, and as late as yesterday I was informed that there is no chance whatsoever for them to buy it, because it just is not to be had. The Army and Navy need all of it.

Now, then, we have a situation where here are contractors who have this equipment tied up and due to some kind of procedure, we might say, it is being kept from use by our people. I think it is another illustration of a lack of coordination.

Mr. GIFFORD. I think the point is that these contractors have borrowed a lot of money of their banks and they have had to put up their contract as security. They have not got the money, or they are a long time getting it, and their creditors will not allow them to dispose of that material. They cannot sell it.

Mr. MONRONEY. Does that equipment belong to the contractor or to the Government?

Mr. CRAWFORD. This is a case where a job has been completed and I assume the bill has been paid. The contractor is out of business. He owns the equipment. It has been paid for. He does not want to sell it now because if he does sell it, then the full amount of his returns will be subject to income tax, because of the fact that his contract covers the cost of the equipment. So that he is going to delay the day of the disposition of the equipment, in order to avoid the necessity of paying taxes on it.

Now, the witness here tells us that the Treasury has a procedure whereby, if his property is condemned, he may move it on, collect his funds, put them in escrow, and then have a tax determination made at some future date. As a matter of fact, he may want to use that money to buy new equipment 2 or 3 years from now.

Mr. EASTWOOD. I will be glad to put that Treasury letter in the record, if you wish.

Mr. MONRONEY. Does he set this equipment up as capital expense or current expense? I do not see how you connect it with his income tax.

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Mr. CRAWFORD. Let us say that the contractor has a large Diesel engine that he has used in a construction job. He has charged that cost to the construction job and billed the whole thing to the Government as part of the cost. It has been paid for. Now they have it on hand as a piece of salvage.

Mr. MONRONEY. He could not put a Diesel engine in as a current expense. He would have to set it up as a capital expense.

Mr. CRAWFORD. It is put up as a current expense on the job, and charged to the Government.

Mr. EASTWOOD. This is known as inventory conversion procedure.

Mr. MONRONEY. In other words, you can buy a million dollars worth of equipment, if you are a contractor, on Government business, and as long as you do not sell it, it is your equipment and is counted as a part of the expense of doing the job; let us say, erecting a building.

(After discussion off the record:)

Mr. TALLE. May I go back to the question I asked. I want to be sure I am right. We will say that Government property is located in a certain warehouse in a certain town: The keeper of the warehouse may dispose of that property only after getting the O. K. of the regional officer of the Procurement Division; is that right?

Mr. EASTWOOD. That is my understanding; but I would not be sure that he does not have some transfer authority. That would be an internal procedure. In effect, as it works out, we have been advised by some persons who have made these purchases that whoever is on the ground where the property is as the custodian seems to pretty well control the transaction. The assumption is, according to the procedures we have read, that they must have some delegation of authority from the regional office.

Mr. TALLE. Is it not true that an agency of our Government would have first call on such goods before they are disposed of to the public?

Mr. EASTWOOD. The procedures of the services are such that those items, before they are declared surplus to the Treasury, should have been circularized for 20 days to the other agencies.

Mr. TALLE. To the other agencies of the Government.

Mr. EASTWOOD. And they have had the refusal. And, if they had not passed them up, they would not have reached the Treasury for disposition. However, the further understanding is that any Federal agency interested in the property, even up to the moment of sale, has a priority to take it over.

There is one point I did not bring out that I believe was touched on yesterday, that is that a great many of these items which are sold by Treasury Procurement are items which, if you bought them through regular trade channels, you would have to have a priority to get them. But in buying them from the Treasury, you do not have to have a priority, as near as we can determine and, in one instance, you do not have to have points.

I have finished my testimony, Mr. Chairman.

Mr. PATMAN. Mr. Chairman, Mr. Kefauver, a member of our committee, is here and would like to be heard briefly. Mr. Kefauver is a member of the Committee on Small Business of the House and assisted in formulating the provisions of this bill.

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STATEMENT OF HON. ESTES KEFAUVER, REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE, A MEMBER OF THE SELECT COMMITTEE ON SMALL BUSINESS, HOUSE OF REPRESENTATIVES

Mr. KEFAUVER. Mr. Chairman and gentlemen of the committee, I have read the very excellent statement the chairman of the Small Business Committee, Mr. Patman, made yesterday, and also that of Charlie Halleck, and I will try not to repeat the arguments they presented as to why this bill should be enacted.

I want to say in the first place, gentlemen, I think this is one of the most important pieces of legislation Congress will consider at this session and there is a crying need for the passage of this legislation at an early date. It is not necessary to repeat the confusion that is going to result if all of these agencies handle the disposition of the property they have—the Army, Navy, Maritime Commission, Treasury Procurement, Defense Plant Corporation, Defense Supplies Corporation, Small Business Corporation, Metals Reserve Corporation.

In every community, or in most communities—I know in Chattanooga, which is my home town—they form local groups to try to see if they cannot work it out so the local people can invest their money and buy the local war plant there and not upset the economy of the community. It would be very, very useful and almost necessary that we have an orderly procedure in the disposition of this property; that we have one agency to handle it so everybody will know which agency to get in touch with. And, of the agencies of the Government, I know of none better respected in matters of this kind, that the people feel they can get a fairer deal and better consideration from, than the Reconstruction Finance Corporation.

I think it is also important that the bill be simple and that the administration of it be as understandable as possible, so the people in the local communities can understand it. This bill sets up the general policy of having one agency and then an advisory board composed of men from the various agencies that have surplus materials.

Another feature I want to call your attention to is that unless it is made possible for the local people in the local community to raise money and finance the purchase of these materials to the extent they can, we are going to have a tremendous and a very disrupting population shift when this war is over. I think every consideration should be given to the local people in enabling them to try to keep the facilities there. Of course, we want the Government to get the highest price it can for them, but we must consider the fact that the Government has built housing and the local town has adjusted its economy to meet the situation; that we had a terrible disruption when these plants were built and we will have an even greater disruption when reconversion comes unless we have some plan worked out.

I think it is well to consider the attitude of the agencies that might be called on or might be considered for the handling of this problem and everyone, without regard to partisan considerations, has the utmost confidence in the Department of Commerce, and Mr. Jones and the people who work with him. And I asked Mr. Jones, when we had the matter up in the hearings before the Small Business Committee, this question, and I want to read his answer:

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Mr. KEFAUVER. Mr. Jones, in disposing of these war plants, machine tools, and equipment, I know we are all very hopeful that local people living in the section where the plants are operated, where the machine tools are located, will have every encouragement and opportunity possible to buy the plants themselves and operate them. I think it would be very unfortunate if these plants all got into the hands of the big fellows which might further increase monopolistic tendencies. I wonder if you have any expression that you would like to make as to the means through which local people can be given an opportunity to buy these plants?

Mr. JONES. I think in every situation that the local people should have the first call on the property or on the plant, and where they could show sufficient capacity to operate it and probably furnish some equity money to justify it, that they should have, certainly, first call on it. I do not think we ought to permit the war, in causing all these plants to be built, to further concentrate our economy in the big units. I think the country is better off with the smaller units, and I am heartily in favor of the point that you made.

Mr. KEFAUVER. I am mighty glad to hear you say that, Mr. Jones. I wonder, too, since the plants have been constructed, or at least construction has been authorized, by the Reconstruction Finance Corporation or by some of these subsidiaries of the Reconstruction Finance Corporation, if the Reconstruction Finance Corporation is not in the best position, subject to whatever authority Congress may give it, to handle the disposition of these plants?

Mr. JONES. In my opinion, the Reconstruction Finance Corporation certainly would be much better equipped to handle the plants and particularly those that it has built than some new agency that might be put in charge, because we have an organization of men trained in business. They know these plants. They have made these trades. Each one has been an individual trade. They know the people they have dealt with and they know the purpose of the plant, and I should think it would be a wise policy to at least have the Reconstruction Finance Corporation in the doing in some way.

And the question has been raised as to how we are going to get the most money for the Government out of these tools and these plants, and I think most everyone would agree, whatever we may think of the R. F. C. and Mr. Jones, that he is a pretty good trader. I think I heard some member on the Republican side say that Mr. Jones is a "good Yankee trader." And here is what he said, a very short sentence, on the matter of getting as much out of plant and equipment as possible:

Mr. JONES. * * * My idea is, and I have said this before, that these plants ought to go to private industry and they ought to go on terms and conditions that the buyer can live. I have also made the statement that there should not be any bargains, and there will be plenty of bargain hunters, too. There is no doubt about that.

So it seems to me on the three points, that the first, not upsetting the economy of the local community by moving all of this equipment out and concentrating it into some particular areas, is very important; the second point, of the Government getting as much money out of the equipment and plants as possible is of great importance, but perhaps of even greater importance than those two is the idea that we want, in an orderly way, to get this equipment and these plants back into the hands of private individuals and let them be operated by private individuals. And Mr. Jones has that philosophy about it; the Department of Commerce has that philosophy and, as he said here, he thinks that should be done as quickly as possible when the time comes to do it, and that every encouragement should be given to private enterprise to take up the plants and use them.

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I congratulate the committee on taking this bill up at this early date. We are all getting a great many inquiries now as to the process of getting this from Treasury Procurement, or getting some surplus equipment from somebody else. The problems are going to become more and more complex and I think this committee undoubtedly will be doing a great service if a bill along this line can be reported and brought to the floor of the House as quickly as possible.

Unless there are some questions, that concludes my statement.

The CHAIRMAN. Thank you for your appearance, Mr. Kefauver.

Mr. KEFAUVER. Thank you.

Mr. PATMAN. May I say that tomorrow we will have the witnesses here we expected to have this morning, but they could not arrange their transportation. As you know, transportation is a problem now, but we are sure they have solved that problem and will be here tomorrow.

(The committee thereupon adjourned until tomorrow, Wednesday, January 19, 1944.)

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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

WEDNESDAY, JANUARY 19, 1944

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Brent Spence (chairman) presiding.

The CHAIRMAN. Mr. Patman, you have someone you would like to be heard by the committee?

Mr. PATMAN. Mr. Vines.

STATEMENT OF R. A. VINES, MACHINERY DEALER, OF DETROIT, MICH.; ALSO PRESIDENT, MACHINERY DEALERS' NATIONAL ASSOCIATION

The CHAIRMAN. Mr. Vines, state your name and whom you represent.

Mr. VINES. R. A. Vines, machinery dealer from Detroit, Mich. I am also president of the Machinery Dealers' National Association. That is the association of new and used dealers, and during the past few months we have spent quite a bit of time in getting together our ideas as to the proper procedure for handling the disposal which undoubtedly is going to come before too long. Some of it is on us right now.

From my contacts around the industry, it seems very gratifying to me to find that the first item of importance to the industries affected, which I have contacted, is that in the salvage process the high dollar for the Government be obtained, or, in other words, that as much as possible be returned to the taxpayers.

Mr. WOLCOTT. Would you explain the particular kind of machinery you handle?

Mr. VINES. Metal-working machine tools. For those not familiar with the term, "machine tools" is very much misunderstood. We have had expressions regarding a lack of proper definition. But, technically speaking, a machine tool is a piece of machinery used in the abrading or cutting of metal, in some form or another. That is known as a machine tool.

Mr. CRAWFORD. Right there, Mr. Vines, may we further expound on that? Does your group handling such machinery handle knitting machines, stamping machines, drilling machines?

Mr. VINES. Yes, sir; every type of machinery used in abrading or cutting of metals. That covers I don't know how many hundreds of different types of metal cutting machines.

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Mr. CRAWFORD. So you deal in the machines, and also in the tools for those machines?

Mr. VINES. No, the perishable tools, as such—and that is an entirely different part of the program—in other words, fixtures that go on these machines are known as perishable tools, for the fixture, for instance, or die to make this cup here is placed on a punch press, we will say [indicating], and that becomes part of the machine in its operation. But when this cup is no longer designed in that form the die is disposed of or set aside or possibly reworked at some future time, as metals are scarce.

But I am now discussing the problem of the disposition by men in the business of selling and distributing metal-working machine tools. We will put it that way. And the fact that the first point they have is the matter of the greatest return to the Government for each dollar invested is, I think, most commendable.

Secondly, I believe they feel, and it is definitely shown in the trend of this bill which we are discussing, that it is a step in the right direction to have that distribution through what we would term normal industrial channels, established channels. And by that, I do not mean that anyone should just buy that, who has not been in the business, from the standpoint of a speculation, as we have witnessed in the last war.

I think it has been definitely established that our progress up until the present minute can be laid to the work of these same men of whom we speak, the used-equipment men throughout the country, in the finding through their knowledge of these older machines, machines long out of use, getting them put into condition, and retooling them and making new fixtures, and so forth, and getting them into production, at the first possible moment.

Of course, since the war started, there have been new machines made to replace those original, older ones. But when we got started, it was much better to have 10 planes a week than no planes at all. So it is that group of men who have developed thousands and thousands of machine tools for industry, who feel it is a step in the proper direction, as has been mentioned before, that they should be a part of the organization in the sale of this equipment in behalf of the Government, because if you had to set up an agency in every town, say, to dispose of this, there would be that additional expense; and these organizations are set up and are experienced in doing exactly that thing. The matter of procedure and detail, of course, is a matter, I presume, for executive and subcommittee working out. This is merely, first of all, as I understand it, a discussion as to the merits of the principle of the thing.

Of course, I am speaking individually; but, having talked to men in the varied industries about this, I think I can intelligently speak for them in this respect. We want to avoid a possibility of the repetition of what happened after the last war, where, as we know, there was a lot of material obtained and sold through channels which were entirely speculative. In many cases it ruined the new manufacturing industries, whether they were fabrics or chairs or desks or anything like that, because of the way in which the material was put on the market.

For example, if you let loose 100,000 desks overnight, that certainly is not going to do your new manufacturers of furniture any good.

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But the normal, used market would absorb those pieces of equipment over a period of time, if they were released intelligently a few hundred at a time, instead of all at once.

Another thing that has shown up at this particular time, I should say, is the release of equipment that is now surplus, in such a manner as to confuse the public, and not be economical for the Government, and thereby setting a precedent I am certain is not going to work out to the best interests of all concerned, taking into consideration our new manufacturers as well as the other industries of the country.

Now I will speak specifically for a moment of an item of which we all, I suppose, would say it should best be left unmentioned; but we will take this instance of the release of so-called machine tools which received such a tremendous amount of publicity a few months back, where the smoke screen came out that there was a million and a quarter dollars of machine tools sold for $60,000 or $70,000 or $80,000, up in Detroit.

In the first place, the description of that equipment was wrong. You, as men who are not machinists or may not be accustomed to the machine-tool trade, saw the big heading about the disposition of machine tools, that graft was possible, and all that sort of thing. Now, they were not machine tools. They were perishable cutting tools, made for Studebaker and other operations on aircraft engines, which became surplus through one office of procurement. Apparently that office did not realize other agencies of the Government might perhaps be ordering the same identical tools, where they could have been disposed of. But the point remains that they arrived in Detroit for storage and, sooner or later, somebody decided they should be sold. As to the process of advertising, I do not know, but the descriptions were certainly mediocre, and they eventually found their way into the stocks of four men with whom I have a personal acquaintance.

What happened there was no more than if you men should have a room full of stuff here and should say "Vines, I will sell this room full of items to you for $80,000," and I look them over and study them and say, "All right, I will take them."

So far as the purchase and sale was concerned, we have no criticism of that. What I wish to point out in referring to this particular transaction is that a proper description and proper publicity should have been given, and in such event I am certain much more would have been obtained in the sale.

Mr. PATMAN. Under this bill, if this bill had become a law before that time, and had that central agency been advised, as it then would have been, about the existence of these tools, and that they were surplus, then it would have resulted that the other agency of our Government which could have used them would have gotten them. Is that not right, Mr. Vines?

Mr. VINES. That is true.

Mr. PATMAN. If some other agency of the Government could have used them, they would have gotten them; but, if not, then they would have been properly advertised and described and sold where we would have received the maximum amount for the Government?

Mr. VINES. That is true.

Mr. PATMAN. Have you any idea how much these tools would have brought, that sold for some $40,000, I believe you said?

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Mr. VINES. I think it was nearer to $70,000; but I should say they would have brought nearer to $100,000, rather than the figure mentioned.

Mr. PATMAN. How much do you think they would have sold for?

Mr. VINES. It is a line with which I have only this familiarity, that I know what they are. It is a line of cutting tools with which I am not familiar, really. But they have been able to sell them at a profit. You see, in tracing the thing down, to pin the responsibility, perhaps—and, mind you, I am not speaking in criticism of anyone, but only about some method of proper disposal. But the men who bought those tools, naturally they did it for profit; and it turned out, in the investigation of the sales, just slightly off what the Government paid for them.

Mr. PATMAN. You mean, slightly off the million dollars?

Mr. VINES. Well, the whole amount has not been sold. Since then, the tools have been returned and not too much of them have been sold. But there was an interim of time there, between the purchase or the acquisition of these several dealers, and the coming out of information that it perhaps was not as nice a transaction as should have been made. But in the meantime these men had naturally gone out and sold some of these materials which, as a matter of fact, were all new, and not surplus or used, but in the original wrappers, according to my understanding; and they sold them to Tom, Dick, and Harry, and whoever might have needed them, and they got close to the new prices, taking a wholesale discount, or 60 or 70 percent, or maybe more, so that they got them practically at the same price as if they were sold for new. But what I am saying does not refer to the million-dollar quantity, because they have not all been sold to date.

Mr. GIFFORD. Is not the Procurement Division an agency of the Government?

Mr. VINES. I believe it is, and I believe they operate under the authority to dispose of these materials. In addition, as to what Mr. Patman questioned me on, and the statement I made, please don't misunderstand my response here as saying that anything has or has not happened. In other words, these very tools may have been advertised throughout the Government agencies. I have no knowledge of that.

Mr. GIFFORD. All agencies of the Government have to report to the Procurement Division for the disposal of surplus, do they not?

Mr. VINES. That is an answer I am not able to make. I understand they can dispose of anything they have, without having to go through Treasury Procurement.

Mr. GIFFORD. I don't like the suggestion that if a present agency is inefficient, another one would be better, because we have legislated so much because of a particular thing, and I am a little suspicious about these particular cases.

I sympathize very greatly, personally, with your problem. I understand the tool problem is very serious. But I want you to recommend that the Congress itself lay down a general rule and a policy, the same as this agency you are asking for would have to do, wherein your trade shall be selected to handle the sale of these machine tools; and that you shall have a set-up there so that you can tell how much you would dispose of, and all that. I am perfectly agreeable to that, and I want the automobile dealers and the machinery dealers

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to dispose of this property. But I do not see the need of turning it over to this separate agency. Congress can do that, and I think there would be much more safety in Congress laying down the rule on those things, than to leave it to a prejudiced agency—and they are all prejudiced, don't you know that?

Mr. VINES. Yes; that is true.

Mr. PATMAN. What do you mean by "prejudiced," Mr. Gifford?

Mr. GIFFORD. Well, it would take a long story; but you heard me here the other day—prejudiced to force banks to buy bonds, and prejudiced to force people to pay their bills. They are prejudiced toward that end, and there may be some people who would not be favorable to the method Congress might lay down. They may have a different opinion. They may say that "You are a selfish crowd and you are the last crowd that ought to be entrusted, because you would purposely keep those old tools from being sold." But some governmental agency that is prejudiced, might lay down a profit of 2 percent. And if we set them up, they think they must act economically, and your trade might be bitterly disappointed at the rules and regulations necessary to be laid down, or in the amount of commission or profit allowed you.

Mr. VINES. I am glad you brought that up, sir.

Mr. PATMAN. But may I suggest there, Mr. Gifford, it happens this particular agency is the only agency I know of now that came into being during the time your party was in power. And we are offering to entrust to the man appointed by the President of your party this duty.

Mr. GIFFORD. You have a political mind entirely, I am afraid.

You will notice, whenever I get into a little discussion here, they always try to stop me. I am showing a very favorable attitude toward you, and yet they want to stop me.

Mr. VINES. What you have said really brings things right out in the open for me to make a few more remarks relative to it, because in the first place my understanding of my presence here is this: I feel, regardless of what act may be passed or what agency may be given the disposition of this, we want to see that a plan is enacted or thought of and put into effect, whether enacted by Congress or however it may be done, that is in the right direction to prevent untimely and improper speculation, or the careless, thoughtless liquidation of merchandise at the wrong time. Too much of that at one time can do a lot of things.

However, this is purely preliminary, as I see it, toward something in the right direction. My mention of this situation is not intended in any way, shape, or form to be critical. I don't mention this to criticize any agency, because I have no knowledge of the inside workings. I merely mention that as an example, in advocating that proper care be used in the description and the offering for sale.

Mr. GIFFORD. Can you not mention, and we put into this law, the particular policies as to these procedures you suggest?

Mr. VINES. Yes, sir. Another instance, although not in criticism, but to have you gentlemen understand the importance of proper description, is that there has been continual pressure, verbal pressure, to approach Treasury Procurement, from the various agencies, that that a more proper description of machines, and whatever equipment, be it real estate, buildings, or anything else, be given.

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You will say that we have a marvelous method of securing the description, from the invoice. All right. The invoice for a machine tool also will carry the cost of its accessory equipment. To those of you who are laymen, and not understanding just exactly all of those things you might get with a piece of machinery, take, for example, a milling machine, with all the accessories accompanying it, and when you consider the innumerable machines, with innumerable extras, which are sent out with the machines new from the factory, you can take that invoice describing the machine and including the accessories and buy the machine based upon that description, and then find that it is not a thing but a bare machine which, in many instances, may be worth no more than half of the purchase price.

Mr. GIFFORD. Don't you think the procurement agency, with all their experience today, ought to be in a position where they could be trusted to handle this, rather than have a new agency, made up of appointees at good salaries?

Mr. VINES. Well, personally, I will tell you. I think you should have whatever existing methods of distribution you can get, that will be the least expensive, on the salvage, which is a business of taking something that nobody wants, finding somebody who can make some use of it, and selling it for the purpose of making as much as you can. That is our business, and that is the business of any used-equipment man; that is the principle of it.

Mr. GIFFORD. You have raised a question whether the present procurement agencies should be trusted.

Mr. VINES. That is not for me to say. This is not a question of trust, sir, but purely a principle of operation. Who handles it is of no consequence to us. The men already in the Government may be perfectly capable, but they will have to have the help of used-equipment men, and the help of the automobile dealers, and the fabric and the furniture men. This is something which does not have to do only with the machine tools, and that is why I hesitate to take so much time in the discussion.

Mr. GIFFORD. The reason I raise this question is because I have been engaged on this problem in another committee, where the procurement agency have come before us, and we have questioned them at length, so that I ought to know something of what they are doing.

Mr. VINES. Yes, sir.

Mr. GIFFORD. I am not vouching for their ability, but I am anxious that the Congress itself tell the procurement agency how to handle it. And as to the idea about machine tools, you can help us by saying how long you would give them to dispose of this, say 10 years, or that at least 10 percent should be taken by you, either through commission on sales or profit on the purchase. It has to be outlined in some way, but we can do it just as well here as this new agency can outline it. I want you to have the business. I don't want it turned over so that you would not be interested. I would go just as far as my friend Patman will, to help with automobiles and machine tools and other things. But to set up another commission appointed by the Executive, you see, with this renegotiation fresh in our minds, and with the absolute hatred, almost, of anybody making any money these days, I am against putting up any more separate agencies. I want the Congress to act now, and I think the people want us to

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act. We have had enough of that prejudice, as I call it. What I want is that you should be guarded against the very agency which you would see set up.

Mr. PATMAN. Mr. Gifford, may I invite your attention to the fact that it does not set up a new agency? It sets up an agency created in 1932.

Mr. GIFFORD. You would set up an agency more proper to dispose of it than any other agency. But you would have several other men coming in, with per diem pay, and taking up the time of Cabinet officers who don't have the time to give this any attention, and it is ridiculous. I will ask the witness if it is not ridiculous, to turn this over to an agency which already has more to dispose of than anybody else. Even though it may be the finest agency we have ever had, why pick on that agency? See what you are doing. I know what you want, but I don't believe you want that any more than I do, that particular agency.

Mr. PATMAN. In actual practice, the Secretary of War would not personally serve, and neither would the Secretary of the Navy; but each one would appoint the person best qualified.

Mr. GIFFORD. You bet he will.

Mr. FORD. Does the machine-tool industry have a record of practically all existing machine tools now? Has your industry an association which has that information?

Mr. VINES. I am afraid you are asking that of the wrong man. You understand, the National Machine Tool Builders Association is one group. I am appearing here as an independent in the machinery business. I am not here representing any group of men.

Mr. FORD. Do you handle both new and old?

Mr. VINES. In certain instances. The group of men with whom I am associated have an organization or an association, but I am not appearing here in their behalf. They handle principally used equipment. There are many firms belonging to the National Machine Tool Builders Association. Also there are their representatives, there are the members of the Machine Tool Dealers Association, and there are the retail outlets in the various cities throughout the country for the new production. Also there are myriads of other groups of men handling contractors' equipment, road-building equipment, and all that sort of thing, every one being vitally affected by the outcome of what is going to be done with this surplus equipment and how it will be done. It is not for me to sit here and discuss whether it will be done politically or through the governmental machinery. I am not familiar with how things are run in Washington.

Mr. FORD. My question was leading up to something else, and that is this: I am assuming that the machine-tool industry has an association or an organization that compiles statistics and that knows exactly where every machine made by any of its members is located. So that when that is sold as second-hand machinery, naturally I should think they would be able to follow it along and to tell where it exists now. If that information is available or if it does exist, would it be made available to this new agency, so that they could, in an over-all way, know how much of this equipment is in existence and where it is located, and, when there is a demand for it, whether or not they would assist them in feeding it out to the general market good, sound, logical way, so that it would not go out all in a lun

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where it would not go out in such a way that it would not get where it ought to be, to be used immediately?

Mr. VINES. As to the knowledge of the machine-tool manufacturers as to where a machine tool is, once they have made it, having made it since the war started, that is very difficult. We have serial numbers and know every machine made and know the original point of shipment. For instance, we may have a pool of 100,000 or of 50,000 machines, where the manufacturers make machines and ship them to a central storage point, where the War Production Board allocates by means of priority these machines to critical spots. The manufacturer may never know where the particular machine goes, until perhaps somebody writes in for replacement parts, for serial number 4,006, and then the manufacturer knows that that is a machine shipped to the pool and that, say, Johns Manville have it now.

But as to these machine tools we are discussing now, I question very much whether the Government itself could put their finger on every machine purchased, because, once again, it has been purchased for the pool and they have gone out in a lump. Also, money may be given for certain machine tools, but not specifically, so that they do not know exactly what a manufacturer has purchased. The normal run of machine-tool manufacturers would not know where those machines are and where they have been, where there has been a movement back and forth. They may sell to one firm, and then a dealer might go in, like myself, and purchase it, and I might sell it in Chicago, or on the west coast, and then it may be sold back East again.

Mr. FORD. My inquiry was based on old knowledge from a long time ago. I happen to have been with the Westinghouse Co. when they were making multiple cylinder gas engines and steam engines and steam turbines, and we actually had a record of where every one of those engines was, when they were moved, and other data, so that when they went into second hand, we also followed them up. I am wondering if such a system is in existence today with reference to machine tools.

Mr. VINES. To answer that question from experience, I would say not too much. Some manufacturers have a very definite interest in knowing where all of their equipment is, and they make a practice, where they have their own agency in different cities, of keeping that information; but it is impossible to follow, in these war times, the movement of the machines. For instance, I may go to Chicago and buy five machines and bring them to my place in Detroit. The man next door to where they were bought by me in Chicago, may come to Detroit and, deciding that he cannot get along without some of those machines that had just been on the other side of a partition from him, buy some of them. The others I may send to New York. So those things get spread out through many channels, and many of those machines have been used as stopgaps until something else came in; and many of them, standard milling machines, for instance, would be used until the same company could make them a machine to increase that production, when that standard machine would become available to anybody coming into the market.

There are many machines where the special operators of those machines, under D. P. C. contract, will be privileged to buy them.

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There is a situation where a man is under such agreement to buy a machine after the war is over, for 65 or 70 percent of the original cost of that machine, and at that time that looks fine; but, if a plan is not evolved such as you are working on here, for disposition through proper channels, someone may come along and offer the same machine at 40 cents on the dollar. Then why should the plant having the D. P. C. agreement be forced to pay 60 or 70 percent for the machines, when he can take them out and buy these over here for 40 percent? That is a problem I believe should be given consideration. You understand I am only a witness appearing independently, and I am giving only my personal opinion. But you will see there has to be a level established.

The thought in Government has been, and I believe the thought back of this whole bill here is merely, first of all, to have these machines properly appraised, which is also important, because if a standard of valuation is not given on a machine tool, then everything reverts entirely to the dumping process. So you may send out a hundred milling machines to get them off the books right away, or there may be some program calling for scrapping everything after 3 years. But after everything is said and done, I am not sure that it would not be well to do as was done after the last war, when Colonel Baxter's department took 6 or more years in the disposition of the equipment such as we had at that time.

I am glad you did mention the period of 10 years, because this is a lot of equipment, and to dump it all at once to get rid of it is not the answer. I also agree with the gentleman from New England, that there should not have to be a tremendous overhead saddled on the salvage operation. And we feel by using normal channels, and not just channels which I might represent in the used-machine-tool end of it, but the men in all the used-equipment fields, the orderly distribution should cost the Government absolutely nothing. Those men are perfectly capable and are willing to assist the Government in every way in arriving at fair appraisals on those machines so that a valuation would be placed which, if it did not move the goods or other things, could be lowered gradually, so that you don't flush the market out. A lot of it will find its way in the export trade.

Mr. FORD. I believe in handling this stuff in such a manner that the regular manufacturers should continue to make a profit. If we take all these surplus machine tools and let them go on the market at 10 cents on the dollar, they would be all out of business.

Mr. VINES. That is exactly correct.

Mr. FORD. And that is what we should try to avoid.

Mr. VINES. Yes, sir.

Mr. FORD. And that is why the suggestion was made that we ought to have a central agency; and even if that central agency did cost something in overhead, the general profit to the economic system, by saving it from disruption, would pay for whatever excess overhead was involved, in my judgment.

Mr. VINES. We are working on a common cause. The nice thing about these meetings down here, in talking about this subject, is that everybody is working in the same direction. We may have a different road up the hill, but we are all working in the same direction. It is perfectly true that an orderly distribution should be the order of the day, as you say.

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Mr. FORD. We are talking right now about one particular industry, but there are thousands of them.

Mr. VINES. That is true.

Mr. FORD. And unless there is some coordinated program, with somebody in a position to put a brake on letting this stuff go out in too rapid a manner, we are just going to disrupt our whole post-war, economic, industrial, productive program.

Mr. VINES. I think that is very well stated, and that is what this whole procedure is for. What we are talking about here, and the representations of Mr. Patman, cover everything, as you say—the cloth, the automobiles, the machines, the dishes—which I should not mention, because that is something too recently in publicity, but let us bring it up. You have seen yesterday in the paper where there was a tremendous surplus of dishes belonging to some one of the Government agencies, and it turned out they were sold for a song, for 5 or 6 cents a dish, when at the same time in another agency of the Government they were purchasing almost the same quantity at 18 cents a dish. Of course, that isn't for me to criticize, as an individual citizen.

Mr. FORD. That might occur under a coordinated system.

Mr. VINES. Yes.

Mr. FORD. But that is what we want to block.

Mr. VINES. That is it. If we could just have one cornerstone laid, upon which that program could be built, we certainly will have served our purpose well.

Mr. CRAWFORD. Mr. Vines, is it true that the companies which now operate plants for war production and in which plants the Government has placed a dozen or more standard or other special-type machines for war production, that the agreement covering that action on the part of the Government provides that those firms shall maintain a stand-by service for some 90 days after the cessation of hostilities or after the cessation of the production of war materials? Are you familiar with that?

Mr. VINES. I am afraid I could not tell you that, because there are different agreements, undoubtedly, through the contracting agencies. Perhaps the ordnance plants will be held together for quite a period of time as insurance, and no doubt in the process of trying to arrive at a peace, with the arrival of a cessation of hostilities, there should be and there will very likely be a stand-by period; but I don't know.

Mr. CRAWFORD. Here is my understanding about it—and I think Mr. Ford will be interested in it:

I understand the automobile people have committed themselves recently to a reconversion period of about 90 days, as a minimum they will require. Contrary to that, I understand there is a 90-day stand-by clause in these contracts. The technical question arises which might be illustrated in this way: suppose you and I run the Chrysler plant at Detroit and are under one of these contracts providing for a 90-day stand-by service. If we rented part of the Detroit fairground sheds and other space, and moved, say, three or four acres of machinery out of our plant into the Detroit fairground, and proceeded immediately to reconvert from to acetime operations, that constitutes apparently a lot of ma y rhich will be surplus, we will say, after the war actually ceases, a ich we would

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move back into our plant if the war does not cease and if we are given the "go" sign again on war production.

I understand I am outlining here just about what the situation may actually be, because I have talked to some of these fellows about this matter. And one automobile manufacturer, now 100 percent involved in war production, hit the table with his fist and used some rather impressive language and said he was going to reconvert. If you tell him we would have to stop him from reconverting, and if we would stop him from reconverting for an extra 90 days, it would be the responsibility of the Government and not the management of his company.

I simply throw this in here incident to this question of determining when a surplus exists and what is a surplus. Because if every company which has a war contract, and in which the Government has placed some of its machinery, stands by for 90 days after the cessation, without making any move whatsoever to reconvert, simply awaiting the expiration of that 90-day clause, we defer employment for 90 days.

So we have this question of unemployment, or of employment, and we have a question of how surplus is to be determined. This committee certainly does not have to pass on that technical, legal question of what constitutes stand-by service. But it does enter into this question Mr. Ford raised as to where is this machinery, what records are kept on it, who has it, and what disposition is to be made of it.

I just wondered if you had any detailed information on this question.

Mr. VINES. No, nothing in connection with that. There is a problem there, as you say, because if everyone operating under a war contract is required to stop work for 90 days, there will be a lot of people who will just not make any money.

There has been a suggestion by a committee I served on, generally speaking, that when the time comes for handling surplus, when the war is over—and I think the suggestion was not poorly taken—that there be nothing sold by the Government for a period of 6 months after hostilities cease. You can see a very sound reason for that. That does not affect the bill here, but is just one road to travel. The time of release is of utmost importance.

This whole program is one of the grandest footballs anyone could imagine. But the practical side of it is that the delivery of it to the public must be made in an orderly fashion, and if you put a brake of 6 months before declaring anything surplus, that eliminates the question of whether we are going to be back in the war, and gives you a chance to have proper inventory lists made.

After all, I am a small operator and I may have 100 or 125 machines in stock, or 200 at the very outset. Yet, how long do you think it would take me to get together the details to make up a little pamphlet that I could send through the mail? What is the program going to be when you get into millions of dollars' worth of equipment to list? You see, too much about this post-war release of equipment confuses the average public mind. They just feel that when the war is over, you will just open the windows and it will fall out. But you didn't buy it that way. You are still waiting now for stuff ordered a year and a half ago, and that is just coming in now. So if a period is tak

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under consideration of, say, 6 months before anything is declared surplus, there is no question about it.

Of course, if you have things there will be no use for, then dispose of them. But when you come down to usable equipment, it seems some consideration should be given to having some kind of a brake put on it, because if you don't level it off over a period of 8 or 10 years, where will you be?

These men have a problem, and I am not here to speak for them. In fact, there may be other men already in the room who have more information. All I wanted to bring out is that a plan should be made or enacted, and it should be a plan taking you in the direction of orderly distribution, with a proper description of the material required. When you go after a machine originally sold in Detroit, which is now in California, you don't want to have to depend on an invoice description so that you might ship it into Detroit and find it minus 50 percent of its accessory equipment, so that you have only half of it there.

We have spent a lot of time, and gladly so, at committee meetings in Washington, and we have gotten a great deal of pleasure out of doing that. These same men will be glad to help in the appraisal problem.

Mr. FORD. What committee do you serve on?

Mr. VINES. I happen to have been serving on the Redistribution Committee of the War Production Board. As a matter of fact, Mr. Ackerman is here this morning—I have asked him to come over. And I have been serving also in connection with the O. P. A. meetings that have to do with price ceilings, and so forth, from its inception. I just happened to be fortunate enough to be invited to serve.

Mr. FORD. Mr. Chairman, I would like to make one very brief statement. We have had brought to our attention the fact that some plants have been sold for less than they should have been, and some tools have been sold for less than they should have been sold. Those are merely a warning. They are a good deal like a sore throat. If you take it in time and use the right kind of a gargle and stop it, you won't have a case of the flu; but, if you don't do that, you will. We are just heading up to a good big siege of economic flu, and the attention of the Congress and of the country has been called to it and we should do something to stop it.

The CHAIRMAN. What agencies of the Government have furnished the funds to purchase most of these machine tools.

Mr. VINES. From memory, I understand that perhaps 40 percent of all the equipment about which we were speaking this morning, Mr. Chairman, has been through Ordnance. Then, of course, there is the Signal Corps and the Army direct, and also purchases for Lend-Lease. But I think the largest volume of equipment purchased has been through Ordnance. I would rather not answer that as a Government man, because I don't know the figures. But from conversation I have heard, that would seem to be about the percentage.

Mr. FORD. Mr. Chairman, I think the money has come from several sources. I think it has come in large part from the R. F. C., with loans made upon the basis of contracts. I think a good part of this has been supplied directly by Government finnacing or by direct guarantee to the bank. They have enabled banks to do this financing.

Mr. VINES. Of course, there is a great deal of money which has been spent on it. On this description proposition, another statement I

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would like to make, just driving the nail home, and which bears on what you have said, is that we want to avoid industrial influenza definitely. A method of putting out the bid is worthy of consideration. We have been instructed from time to time that the only method for procuring equipment of any sort for the Government is by bid. If a request for bid is sent out, that request should be intelligently written and everything should be put on it to give the necessary information for those who might spend good money for it.

I might cite an example here where a machine was advertised a few weeks ago from one of the western ordnance plants, as a "profiler." To some of us that does not mean very much. To me it means either one of two things—a wood profiler or a metal profiler—and probably to most of us it would mean some piece of junk we would not be interested in bidding on. I understand one man bought that profiler for some sum under or not to exceed $5,000. He knew what it was. But the man who wrote out the description on the bid did not put in the full description. Instead of being just a profiler, as I had contemplated, it turned out to be a very expensive piece of equipment; so that it was bought in and sold by the buyer for quite a good profit. We are not criticizing the profit the man makes; but, as you have mentioned, again we want to get through this influenza business by having our descriptions proper and true. You know you cannot sell a piece of property without having it legally binding, as far as the description is concerned, and it is the same thing or should be with these pieces of equipment.

Mr. FORD. I realize there is a lot of difference in the description of machinery and commercial articles and machine tools, and perhaps a lot of people would understand it is the thing you put in there to do the cutting.

Mr. VINES. That is true.

Mr. FORD. But it is the grinder or lathe, or whatever it happens to be that they are working on.

Mr. DILWEG. Mr. Vines, would it not be logical to suggest that this committee which we are considering creating here be supplemented by representatives from the respective industries, as you are doing today in O. P. A. and W. P. B., to make suggestions as to the disposition?

Mr. VINES. Yes, sir.

Mr. DILWEG. I mean, without cost to the Government.

Mr. VINES. Once again, you see, it is a means to an end. With the men I have talked to about this, it is not a selfish, grasping proposition, but it is to prevent the knocking down and flattening out of industry. The new manufacturers would be affected far more than we would be. We could still make a living; but, after all, the basis of our whole economy is the new machine-tool business. If you flatten them out, as was done after the last war, that just isn't good.

As I see this, gentlemen, it is simply filling in the spaces between the writing, where it definitely covers the point. You will have to have some over-all committee to start with, say these gentlemen right here, and as to the machine-tool end you might have a new man, some civilians, and somebody from the used industry who will sit on that committee gladly, because, after all, we have been coming down here for 2 or 3 years, and we might as well come down here for 2 or 3 years more. After all, it is a job to be done for the war, and no one has

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ever taken any advantage of any knowledge, so far as I know, of any information obtained in that way.

Mr. DILWEG. Is it not also true that a reconversion period might be used to dispose of this surplus material, so that after reconversion the particular industry can follow right up?—in certain instances, I mean.

Mr. VINES. Of course, reconversion for one plant may be entirely different than for another. For instance, Chrysler might throw out a lot of machine tools perfectly usable to a shop you and I own. So we reconvert what they cannot use for reconversion. The idea is to get the high dollar out of what we are trying to salvage for the Government.

In the process of having this new machine come out—and we are talking about thousands and thousands of machines, and billions and billions of dollars—those machines are going to replace, in our case where we have a small plant, machines 40 and 50 years old; and we decide, when the reconversion period comes, we are going to pick up eight or nine of these Chrysler machines and have a shop re-equipped with new equipment, and the old stuff will go into the cupola where it belongs. This old stuff has done its job for so long a time that it should be retired.

Mr. DILWEG. What will happen to the industry that needs no reconversion, and yet there is a glut on the market of their particular product?

Mr. VINES. That is industrial misfortune, perhaps, and it may be explained as such. There are businesses which have been built up for war activities and, when the war ceases, there is no particular demand for their products and they are a drug on the market. That is what I would term an industrial misfortune.

However, with reference to the bulk of the plants in existence prior to the war, say those having a record of 8 or 10 years of manufacturing something, even if it is only drinking cups, they might still find something to do, because I think after the war we are going to have the greatest industrial activity ever seen.

For the last 6 months, just to give you a picture of where this surplus goes, and we will say the machines on my floor are surplus to somebody: Some fellow will say, "Vines, we are going to go into business and start up." But within the last 6 weeks, for reasons I cannot understand, there are fellows who are going to go into business, and they have contracts from some source; and why that has come up or how that has happened is beyond me. So we have a development on things that after the war will take more machinery. All I hope and pray is, when the release comes, you will call in, according to whatever it is, textile or chemical, you will call in some men from that field, both new and used, to serve on that committee. And, from the machine tool end, I hope that you will do that also, so that you will have the advice you have had in prosecuting the war. After all, there are some 500 committees coming in here every month or 6 weeks, and it is just as important to us to have stabilization after the war, after the job is done.

Mr. CRAWFORD. May I ask a question? Have you a copy of the bill before you?

Mr. VINES. Yes, I have.

Mr. CRAWFORD. Will you turn to page 4, lines 19 and 20.

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Mr. VINES. Is that under item 6?

Mr. CRAWFORD. It is under section 205, subparagraph C–1.

Mr. VINES. Just a minute. I apparently don't have what you are talking about. I have a typewritten transcript of the bill. Would you read it?

Mr. CRAWFORD. It is on page 4, lines 19 and 20.

Mr. VINES. Yes, I have page 4.

Mr. CRAWFORD. I want to ask you this specific question: Assuming that this bill, substantially in the form here presented, insofar as these chattels are concerned, the equipment and goods that move in the channels of jobbing in wholesale and retail trade, becomes law. Is it your idea that the R. F. C. in offering this equipment for sale, should make it available to the machinery manufacturers' sales agent organizations as now set up? What I mean by that is this:

Suppose you represent a half dozen firms that we could name that make machine tools and machines. You are a manufacturers' agent in charge, say, of the Baltimore area or the Baltimore territory. I am a manufacturers' agent for the same companies, plus perhaps two or three other companies in the Chicago area. Mr. Wolcott here represents some other district, say the Birmingham area.

Is it your idea that the R. F. C. in disposing of machines and machine tools should make that equipment available for sale by those manufacturing agents in their respective territories?

Mr. VINES. If you will add one word, or if you will add three more words to the question, "new or used."

In the discussions that have been held, it has been felt that there is a pool right now, we will say, of 40,000 machine tools not absorbed, as a cushion for critical machine tools. It is easing off in some respects. Now, the time comes when the war ends—we hope not too far distant—and there come 35,000 brand new machines in the original crates. It is felt that those machines should go back into the channels of distribution of the manufacturers of those new machines. Each such manufacturer has dealers, with selling organizations; and if they are to be sold, we feel they should go through those normal, established channels.

Most of the men selling new equipment are not too much concerned with the sale of used equipment. Of course, in some of the more remote areas they sell both. But I don't feel that any plan favoring any one industry should be used to favor them to the detriment of others, or that the new manufacturers should have all they have manufactured in the last 2 or 3 years to dispose of.

Mr. CRAWFORD. Let me see if I understand that. You are recommending that the new equipment, the tools and machines, in the original packaging, should be channeled by the R. F. C. back through the manufacturers of those goods, so that those manufacturers can in turn make a distribution through their regular channels of trade?

Mr. VINES. I think that is quite practical and I am willing to go on record as saying that it is a recommendation that should be made.

Mr. CRAWFORD. That is almost the same thing I suggested to Mr. Summerfield, as to automotive equipment. I can understand the difference between machine tools and automotive equipment; but it seems to me that would be the proper course to pursue with respect to new equipment. I would assume from what you have just said

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that you would be agreeable to that type of procedure with respect to your particular production.

Mr. VINES. Yes, and it fits them all, because we know there will not be too much.

Mr. CRAWFORD. What are your views with respect to used tools and machines?

Mr. VINES. Of course, you understand this is merely a start here, to work out the final details of just exactly the operation. To go on record here, giving you a plan spontaneously from just sitting in this chair, would be rather unjust to me and to the industry as a whole. All I can do is speak as an individual; but, from the questions you are asking here, I am just tickled pink, because every one of you right around the circle have the same idea of orderly distribution.

You have 4,400 used-equipment dealers in this country to handle not only machine tools, but used machinery and equipment of practically any and all description, including contractors' equipment. What are you going to do with the stuff from the Alcan Highway? Somebody who knows about it has to do something with that, and we have been talking about the orderly distribution of that.

Mr. CRAWFORD. Let me submit my question in this way, tying it down to this bill, if I can:

Would you recommend we put in this bill language that would prevent R. F. C. from throwing this equipment into a big pool, if it is declared to be surplus, and then that pool of machinery to be disposed of by a selected man, or by two or three or four fellows who would form a corporation and go in there and dominate the picture by reason of their closeness to the R. F. C.? Do I make myself clear?

Mr. VINES. You definitely do.

Mr. CRAWFORD. In other words, I want to know how we, in designing this bill, if we report out a bill, can protect the established machinery jobbing agencies of this country.

Mr. VINES. After taking a deeper breath, may I avoid in the response, sir, referring to the R. F. C.?

Mr. CRAWFORD. That is all right.

Mr. VINES. But I certainly don't feel as an individual it would be practical to put anything, whether machinery or anything else, in this one pool where one person or a small group of persons interested in the disposal would handle it, unless they have the cooperation of the individuals or the industries affected.

If I make myself clear, the machine tool industry should have one or two men sitting on the subcommittee, so that somebody does not say, "We want to get in some money quick to do something next week; so let us dump this"—or that or the other thing. That would flatten a number of firms flat on their back.

Mr. CRAWFORD. You think the language in the bill would contemplate what I have discussed with you?

Mr. VINES. Frankly, I have not read it in detail. I think there are a lot of places to be filled in with careful thought, and with nothing but that. Of course, I came in here not prepared to speak on it. But I think your words are well taken and, as far as I am concerned, I don't feel that any pool should be established unless it is to be broken up into classifications determined by what is in it, and with men familiar with that material or property, whatever it is, called in in the establishing of prices.

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I will give you a definite example of troubles that can come into the picture: During the last war there was a great need for hand screw machines. We had three or four hand screw machines, but they could not make enough of them; so they allowed five or six other firms, with names unfamiliar to most of us, to manufacture what is called "war orphans," manufacturing almost the same thing. But they were allowed to do it without patent infringement, in order to get the war won.

Now we have a new group; those manufacturers have expanded three or four times, and, in addition to that, a lot of the large machine tool men have gone into the manufacture at the request of the Government to make up a set of turret lathes as quickly as possible. We must have them; so everyone who can make them does it right now.

Our problem when this thing is all over involves the sale of those. You gentlemen, as businessmen—and let us get off the bench and you and I form a little corporation here to buy equipment. Warner & Swazee have been in business a number of years, and they have equipment based on a standard resale value. Are those machines that have been made—without criticism, now, as to who made them, because this is a sales problem—but what are you going to pay for a machine made only for the war, which we will call a "war baby," and which will not be manufactured after the war? Should the valuation of that machine today, after the war is over, be the same as a machine, a product, which has been manufactured 50 or 75 years?

Mr. CRAWFORD. No.

Mr. VINES. Then what shall we do? We should take these "war babies" and, through an intelligent appraisal, establish a fair price, because that machine does not have the value and will not do as much as the Warner & Swazee machine; but somebody can use it. So we put the price down on it. When we do that, we are just doing good, smart merchandising. We put the price where it will move it, because it is not going to help any by having it sit in storage. But we move it, at 5 or 10 cents less on the dollar and not by flooding the market with more than the market can absorb at that time.

Again, that is nothing but intelligent merchandising, because if you can absorb only 100 things today, and you have 1,000 of them to sell, you release only 100, and then 3 or 4 months from today you can release another 100. Because, after all, the Government has long-term loans out. So why not liquidate this thing in an orderly manner, because it is better to salvage it in that way, over a longer period, than to lose the whole works.

Mr. CRAWFORD. All right; that brings up another question. Suppose we would say to let the manufacturers' agents sell the new, out through the trade. If you have 4,000 agents, and you want to sell 400 machines of a certain type, and you list the 400 machines with the 4,000 agents, orders subject to confirmation as received, then you have 4,000 agents offering 400 machines, or 1,600,000 machines are being offered on the market, when you have only 400 actually to deliver.

Mr. VINES. That is fine; that is a good condition.

Mr. CRAWFORD. That could actually happen.

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Mr. VINES. Sure, it happens in anything. You will see that happen in automobiles the day the war is over.

Mr. CRAWFORD. That is right.

Mr. VINES. You will have 15,000 automobile salesmen out selling automobiles that have not been manufactured. That is what keeps the price up and that is what will give the Government more money and a better means of distribution. You are a good salesman, and we are all good salesmen on this problem, because we want to get the last dollar out of it. If we have 4,000 men out to sell 400 machines, what can be a sweeter market?

Mr. SMITH. Could I ask a question, Mr. Crawford? I would like to have your idea of the position of a manufacturer who had sold machinery to the Government. The war ends, and it is decided that that manufacturer is to take that machinery still in the original crates, and dispose of it through the regular trade channels. Just what would be the financial process involved? Would the manufacturer of that machinery paid for by the Government buy it back from the Government, or would he take it on assignment?

Mr. CRAWFORD. Well, if this bill is enacted into law substantially in its present form, the manufacturer would take that machinery back from the R. F. C., or the selling agency, on whatever terms they agree upon. It would be a new transaction. It would not dovetail into the transaction wherein the manufacturer sold it to the Government. You would have two separate transactions.

Mr. SMITH. The reason I raise that question is that I am wondering what would be the incentive of the manufacturer to dispose of that machinery through the regular channels of trade. In the first place, as you have mentioned, Mr. Vines, as I understand it, it is your opinion that a great portion of that machinery would be classified as war machinery and therefore it would have a lower market value than machinery manufactured in peacetime. That is your view, more or less, your general view?

Mr. VINES. That is true.

Mr. SMITH. I am just wondering. You have a price confusion there, then, and you have an arrangement to make a repayment to the Government by the manufacturer; and I am just wondering what would be the incentive to the manufacturer to dispose of that machinery through the regular trade channels.

Mr. CRAWFORD. Let me illustrate it in this way: Suppose I am the Underwood Typewriter Co. and I sell the Government 500 typewriters produced in the Underwood Typewriter plant. But you are a like manufacturer; and, to get typewriters for war purposes, you discontinued your peacetime production and turned out a bunch of typewriters which you sold to the Government, based on Underwood patents, as an illustration. Then our friend here has 200,000 typewriters for sale, at the R. F. C. Of those, 100,000 were turned out by the Underwood mechanics under Underwood supervision, with quality standards and everything else.

The others are produced in your plant. You have no responsibility for them. You are not going to remain in the typewriter business. You are not going to render service. Those typewriters don't have a serial number on them, and you are not concerned about them.

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Suppose I—no longer the Underwood Typewriter Co.—step up and want to buy a typewriter. What would I buy? Would I buy your make of typewriter, and pay as much for it as I would for a standard Underwood typewriter? What do you think?

Mr. SMITH. You would buy the standard typewriter and pay more for it.

Mr. CRAWFORD. And that is your proposition, Mr. Vines.

Mr. VINES. But he has another question. There are two incentives. First of all, there is the incentive to produce a product made under the manufacturer's own patent and with his own serial numbers. And he has a corps of men throughout the country, salesmen through whom he wants to dispose of the product.

Naturally the manufacturer is not going to pay the Government as much for that machine, in taking it back. He is going to be permitted a normal discount so that he can take it back and handle it. Then he is interested in where that is going.

He may have a reconversion program he wants to get going in California. And if he does not have the handling of those machines, he might pick them up and divide them up among six or eight plants and stop the reconversion of such plants until he can make a lot of new ones. He should have the profit on that.

You will find the manufacturers of anything, known for a period of time, have a definite interest and a pride in their product; and if it is new, they should be allowed to sell it.

Mr. CRAWFORD. Let us add this to that, for the benefit of the committee: Suppose this Underwood Typewriter Co. has a call from the purchasing commission of the Soviet Republics, asking for 100,000 typewriters to be used in the post-war period, we will say at a 1937 price—not at a 1944 price, but at a 1937 price.

If I, the Underwood Co., could get these typewriters back in my hands at a discount equivalent to the difference between the cost of production in 1945 as related to 1937, I could book the Soviet order. That same thing applies on standard, universal machines, machine tools, or otherwise.

Perhaps we could find something of interest in connection with this particular phase of the discussion by calling on the Russian commission at this particular time.

So there is one of the incentives for a man to get his own machinery back into his own hands.

Mr. VINES. If it is new.

Mr. CRAWFORD. If it is new, and if it met the specifications.

Mr. VINES. Yes, sir.

Mr. SMITH. You would not be in favor of the manufacturer, in any event, taking the machinery back on consignment?

Mr. VINES. No. I cannot answer that part of your question, because, as salesmen, we would want to know how we were going to be paid, naturally, and the consignment arrangement could run into a tremendous thing. You already own it—as the Government.

Now, it would not be necessary to move that machine to some central point for shipment. If it is at the Rock Island Arsenal, for instance, covered up and with the original wrappings around it, in the original crate, it would be on a list of, say, 150 machines we have

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scattered around the country. We operate from our office and sell the material from an order blank. We send the order to the factory, and the factory will say, "Well, the man is in California; therefore we will send the machine from Rock Island instead of from Milwaukee."

That transaction will be a cash transaction and the Government will be paid on normal credit terms. The long-term payment on machines to be sold to individuals by the Government is another matter.

Mr. SMITH. It resolves itself, then, into this, that this committee should work out some plan whereby that manufacturer can take back that machinery, at a price low enough to sell it at a price which will still allow him a profit?

Mr. VINES. Yes.

Mr. SMITH. But he must actually be able to sell it.

Mr. VINES. Oh, yes.

There are some instances, perhaps, where a manufacturer might very well be allowed to take back the machine which had seen service. For those of you gentlemen who are not familiar with a machine tool, this is a big machine right across the room [indicating] for horizontal drilling, say. A lot of them come out like this [indicating]. That machine, basically as a machine, sits on the floor and, up to the top of this table [indicating], gentlemen, is a standard product. Up to that point, we will say, the base price of the machine quoted is $8,000.

This machine may be used, may have seen a lot of use; but the base is still as good as new. The tremendous head on top of that costs another $8,000. When this war is over, those heads on top would have little or no salvage value, because fixed centers made drill holes in the botton of this rather full cup [indicating], and that is no good for anybody else. So you can see that would be scrapped, perhaps. But the machine itself might go back to the same manufacturer.

There are a lot of these machines which the normal, used-equipment channels might not be able to distribute regularly. In that case you would have a chance for them to retool and already existing base.

You have your question answered, firstly, and then I added this thought to it, that there might be some used pieces of equipment that would go back to the factory for rebuilding, anyway.

Mr. SMITH. Would you have any figures to show, in terms of dollars, the amount that might be involved in this material still in the original crates?

Mr. VINES. I don't believe anybody has that figure, sir. I am sure I haven't.

Mr. SMITH. Would it be quite large?

Mr. VINES. Oh, I imagine so. They are talking about several billion dollars of sales to be offered.

Mr. KEAN. Mr. Vines, you don't feel this stock should necessarily be sold to the manufacturer, do you? What would happen if the manufacturer didn't make what the Government thought was a sufficiently high bid? Your idea would be that the manufacturer would have the first option on it? Isn't that the idea? And if the Government didn't feel that was a favorable bid, then it should be offered otherwise?

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Mr. VINES. You used a terminology there I am very glad came out. I feel very guilty about struggling with or tackling a matter of this importance. I do definitely feel, however, it should be seriously considered. For this reason, that if you come into my place and buy a machine tool and I say "What will you give me for it?" that is not good business. We would come out, we would establish a price all the way through. They would say "This will sell at the 1942 price. We are going to manufacture the same machine at 5 percent less."

I should build up that machine. If it were normally marked up at 25 or 30 percent, and I do not want to talk in percentages, but a percentage low enough as to permit him to route that through his normal channels, which is a distributor at San Francisco, the running of his office, paying of his salesmen 3 or 4 percent of the gross basis, and running the factory and trying to make a profit.

You have a man who is interested in where it goes. He should have as much opportunity to make a profit because if the Government sells them they have to be bothered with details in committee meetings, and the basic idea seems to be as you mentioned.

Mr. KEAN. As I understand, your idea would be the Government would cooperate with these agency committees to set a price.

Mr. VINES. Yes, sir.

Mr. KEAN. What would happen if the Underwood Typewriter Co. would say "We don't want to buy any typewriters."

Mr. VINES. It is not a question of buying those for stock. The Government knows that. The Underwood Typewriter Co. records indicate that the United States Government has type C typewriters in quantities of thousands to be sold and we have four distributing points, Boston, Detroit, Chicago, and Kansas City. We will route them out to save freight. It is a listing proposition.

The War Production Board has tooled up for this war on the basis of listing. They have lists galore of every machine in the country. We but riffle through the cards and you will immediately pull out four or five, so we can give you the names. You can buy from any four or five people.

Do not let people who are making the arrangements make them hastily. Let there be no haste. Haste makes waste every time. Let us take our time to win this war and then liquidate in an orderly fashion.

Mr. KEAN. Of course, I am not experienced in your trade. It seems it is pretty much on a consignment basis. The Government holds them for the manufacturer to sell them.

Mr. VINES. True again, that is by division management and changes, and if your first plan does not work, we have lots of things where men figure out an advertising campaign and it does not work basically, but let us try to get the type of market, any type of market we can load 10 percent in selling price and technically speaking you are correct. You are consigning the Government surplus. That is handling on the basis of merchandise consignment and we have exclusive handling. All we have will be that one thing. I can get more for you but if I am to buy that for stock I am certainly not going to pay very much for it, so all you are doing is asking this, the men in the new and used fields to assist in reselling them and let them out at reasonable levels. You do not have a tidal wave. It comes out orderly.

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I am awfully sorry and feel terribly guilty that I have taken so much time.

Mr. Patman, you probably have other people you would like to have testify on this.

Mr. PATMAN. Have you finished your testimony, Mr. Vines?

Mr. VINES. I believe so.

Mr. PATMAN. Tomorrow morning I presume you want to continue at the same time, 10:30?

The CHAIRMAN. Yes; so we will adjourn until tomorrow morning at 10:30.

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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

THURSDAY, JANUARY 20, 1944

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Brent Spence (chairman) presiding.

Mr. PATMAN. Mr. Chairman, as stated to you yesterday, we have Mr. Clucas, of the National Association of Master Plumbers, for the first witness; then we will call Mr. Hackett, of the Wood Machinery Co.

STATEMENT OF W. F. CLUCAS, NATIONAL ASSOCIATION OF MASTER PLUMBERS

The CHAIRMAN. Do you have a prepared statement?

Mr. CLUCAS. No, sir, I do not.

The CHAIRMAN. You may proceed with your statement and then submit to interrogation.

Mr. CLUCAS. Mr. Chairman, my name is W. F. Clucas; I am with the National Association of Master Plumbers.

We represent a group of small businessmen—men who operate independent businesses of installing plumbing and heating equipment, whose volumes per year average from $5,000 upward into the millions. It is safe to say that the great majority of our people and those others in the industry who follow the same line have volumes under $100,000, and the great bulk of them below $50,000 per year, so that they are truly small businessmen.

There are about 40,000 plumbing and heating contractors in the United States. They employ between four and five hundred thousand persons, depending on business conditions. They make the bulk of the domestic plumbing and heating installations throughout the United States, both in large urban centers, in the smaller communities, and in the rural communities. Through them has been made, to a great extent, the advance in the science of plumbing and heating. Without them all of us, I believe, will concede that urban living would be rather difficult and dangerous. So they do render a real service to the community.

These men have to depend on the materials they can secure, particularly in these times, and if the large surpluses of Government materials which have been collected on account of the war are to be dumped onto the market and into the hands of speculators, it would

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spell doom for a great number of these men who have all of their life's savings invested in these small businesses, the welfare of their families is dependent on those businesses.

In the first place, they are not financially able to go into the market and buy huge quantities of these materials as speculators. The most of them buy through the regular channels of trade and, under those conditions, it would be impossible for them to compete with the low prices put out by speculators in disposing of surplus materials that have been dumped on the market by the Government. The only source of profit that these men have is from the sale of material, like any other merchant. They do render a labor service, but that service is not a profitable venture and it is only incidental to making useful the articles that they sell.

You, in your own communities, are probably acquainted with a good many of the type of men I am speaking of. Very few of them could be classed as wealthy people. The most of them are in very modest circumstances. And they have not profited from the war, because conditions that exist in the industry today make that next to an impossible situation. They have sacrificed greatly through the necessary restrictions upon materials in the conduct of their businesses. If huge quantities of surpluses are dumped onto the market, particularly through speculators and uncontrolled channels, they are going to be called upon to make further and completely unnecessary sacrifices.

Most of the items we use are under restriction either by O. P. A. or W. P. B. and require priorities. Many of the things that we have been accustomed to using in the past are no longer commercially available. Many substitutes have been put out and the great bulk of them are anything but satisfactory.

Right now we are trying our best, wherever it is possible, to secure permission from W. P. B. to get a small flow of the practical materials to be used in the repair and maintenance of systems. We are prohibited from making extensions to existing facilities only under extreme circumstances, so that the business is greatly circumscribed by the Government. Our field surveys indicate there is not at hand in the regular channels of the industry sufficient material to supply present-day needs. There is a great demand and that demand has brought about, in some of our large centers, black markets in some of our products, queer as that may seem. The wholesalers and manufacturers, neither of them, have materials that they can put out in great quantities for civilian supplies. Most of those things have been taken up for war production and many of them have been purchased direct by the Government and are now in their stocks.

An increase in the flow of supplies, if it could be put through regular channels of the industry, marketed by people who know where these things are needed and who would put them to proper use, would greatly relieve the situation. It would improve the existing deplorable housing conditions existing at present in some of the large cities, particularly those which have grown so fast through war expansion. There are many dwellings in those places that really need greatly increased plumbing facilities for the comfort and the health of the people who live in them. If this surplus of Government

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material in our industry could go through orderly channels where it could be properly distributed and placed into the hands of the people who can put it to the best type of use, it would help to promote compliance with W. P. B. and O. P. A. orders. When speculators get hold of restricted materials, unless it is an unusual circumstance that we know nothing of, there is no consideration as to whether the stuff is under priority. It is just sold promiscuously on the market, and then people like those in our industry are subjected to further difficulties, because we cannot get the materials we need to use to conduct our businesses, whereas they are being sold by speculators and outlets outside of the industry promiscuously and without any restriction whatever.

I think it is a foregone conclusion on the part of most people today that plumbing installations should be under control to insure proper methods of installation and to prevent improper installations that can lead to epidemics. We have statistics in our office showing that many unfortunate and fatal epidemics have come from improper plumbing, where the potable water supply has been contaminated by sewage and other things which make it dangerous for people to drink and use. They can practically be eliminated if the materials can be installed under proper control, which would be the situation if we were to have the products that are now about to be placed on the market put through proper channels.

We might compare that situation to an excess supply of any of the narcotics, say opium. If the Government had an excess supply of opium on hand, I question whether they would be willing to put that product out to speculators to sell wherever they might see fit. In a vague manner our materials are similar. They do have a connection with the health of the public. If these surplus materials could be channeled into industry, the stocks could be located in places where it is really needed and needed very badly. That, of course, would be a question of cooperation between the industry and the Government agency, in order that those localities could be found.

If the industry was the channel through which the surplus materials were distributed, I believe it would assure the Government a fairer return on the sales they make, because the price could be properly controlled. As I said before, it would prevent chaos in our industry. Another thing, it would help to break up the black markets that are now existing in some of the materials that we handle. At the present time, we have information relative to black markets in bathtubs, about which you may have heard. If bathtubs—and it is our understanding there are surplus supplies of bathtubs in the hands of Government agencies—could be further released, then there would not be very much incentive for the consumer or contractor to go into the black market to buy, because they could buy at a much more reasonable rate.

After giving some thought to this bill, H. R. 3873, we feel that the Reconstruction Finance Corporation, under the set-up you have in this bill, would be an ideal method of handling the surplus materials. We can speak only for our own industry. Industry advisory committees can be of great help, beca they know the conditions within their industry and they

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assist the Government officials in properly disposing of materials. They know the going prices in the industry and they can see to it that the materials are sold for somewhat near those levels.

And by creating a more stable industry condition, we would be able to do something to provide needed employment for some of the workmen in our industry who now find themselves without jobs. Since the cessation of the building of cantonments, and the huge housing developments that were under way about a year ago, and also the stoppage of the construction of many war plants, there are a great many men in our industry now out of employment. We have no exact statistics as to how many or where they are, but reports come to us constantly from the field that there are many men seeking employment and many of those fellows are not adapted to go into manufacturing industries, because their whole training has been otherwise. So they must, to a great extent, depend upon their own trade for a livelihood.

Another thing: If we can have this surplus material channeled through our industry, it will probably permit a relaxation of some of the present restrictions that are now preventing us from properly serving the public. We have heard rumors that there is a plan to put these surplus materials out through the Procurement Division of the Treasury. We are not for that procedure. We know that the Treasury Procurement Division has been selling some surplus materials. We have had a small amount of information on that, but nothing exactly direct so far. Although we have contacted the Procurement Division to get such information from them, so far it has not been forthcoming. We have never had any real cooperation from Treasury Procurement. We have been in contact with them off and on for a number of years. The last time that really stands out came during the early part of the emergency, when we tried to work out some cooperative scheme with the Treasury Procurement Division to facilitate the building of war facilities and other things that had to do with us; but we got a very cold reception from them. In fact, the last time we went there the thing that disgusted us most was to be invited to put ourselves out and appear at the Office of the Director of Procurement one morning quite early. After spending 2½ hours sitting in his outer office waiting to keep an early morning appointment, made at his request, we were advised the gentleman had departed without even telling us why. So if that is the kind of cooperation we got in the past, we have no reason to believe the Treasury Procurement Divison is going to be any more friendly toward us in the future.

We have observed some of the procedures being followed by R. F. C. at the present time in the way of handling materials that they collect from distress stocks of dealers and manufacturers. They are trying their utmost to protect industry in the disposition of that material which is now ready for sale. They are cooperating with trade organizations by sending lists of materials that are available, and asking them to notify their constituents that material is available, and they prefer to sell those surplus materials through industry channels. Of course, if industry won't take them, then they will have to sell them wherever they can. But that is the type of cooperation we appreciate, and we like it, and that is why we are favorable to this R. F. C. plan.

Thank you very much.

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Mr. GIFFORD. What are you going to do with the Procurement Division?

Mr. CLUCAS. I beg your pardon?

Mr. GIFFORD. What are you going to do with the Procurement Agency—do away with it?

Mr. CLUCAS. No; I do not suggest doing away with it.

Mr. GIFFORD. Well, there will be a clash there, if you set up this other agency.

Mr. PATMAN. No; this is different; here they are disposing of it.

Mr. HAYS. It has always bothered me why somebody that is going to dispose of something should be named "Procurement."

Mr. GIFFORD. It is set up under law on the statute books now, and they will still have authority to demand reports of all surplus materials, and there certainly will be a clash of authority.

Mr. CRAWFORD. May I ask some questions of the witness?

Mr. Clucas, so that the record will show exactly who the group is that you speak for, let me use this as an illustration. Let us take the city of Shreveport, La. In that city you might have 3 or 4 rather large plumbing contractors who would take jobs, say, for large buildings 8 or 10 or 15 stories high, and subcontract the plumbing installations. Then you would have maybe 10 or 15 master plumbers who operate under individual names as proprietors, and using anywhere from 1 assistant up to 10 or 15 plumbers and assistants. Those smaller people primarily are the ones in whose interest you speak, are they not?

Mr. CLUCAS. No. I speak in the interest of all of them, sir.

Mr. CRAWFORD. Of all of them?

Mr. CLUCAS. Of all of them combined.

Mr. CRAWFORD. If I understood you correctly, you said the bulk of the business transacted by your group was under $50,000 a year.

Mr. CLUCAS. That is true.

Mr. CRAWFORD. That is what I mean by saying you speak primarily in the interest of the small fellows. Is that right?

Mr. CLUCAS. Well, we want to protect the interest of the small fellows. The larger operator is usually in a position to pretty well protect himself.

Mr. CRAWFORD. I understand that, but I want to get your position clear. If the bulk of your business is transacted by fellows whose total annual volume is under $50,000, I came to the conclusion you were speaking primarily in the interest of that group, because they are the fellows who are having trouble getting this equipment.

Mr. CLUCAS. That is true.

Mr. CRAWFORD. That is what I want to get clear in my mind. Now, to be more specific, I have here notices which have been sent out by the Treasury Department Procurement Division, under date of October 4, December 7, December 10, December 13, December 15, December 21, December 21, December 31, 1943; January 3, January 4, January 7, January 7, and January 7, 1944. These are all different solicitations for bids on plumbing supplies and equipment. I have gone through these sheets and, for instance, here is one of 23 pages with a detailed list of plumbing supplies—steel pipe, pipe usually used in installing plumbing for an ordinary home; couplings, bushings, caps, T's, faucets, elbows, valves, steel pipe, nickel pipe, and so on down the line.

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Now, would you mind looking at one of those—either one, it does not make any difference—and tell me if that is the type of material your people are primarily interested in, in order to carry on their business?

Mr. CLUCAS. I will be very glad to. (After making an examination:) From a quick glance at those lists, I would say that is what we might call the bread and butter of our industry.

Mr. CRAWFORD. Now we cannot put all of this material into the record, but will you give the reporter the identification which appears up there on the right-hand corner of that document, so that it can be referred to in the future, if we decide to do so?

Mr. CLUCAS. January 7, 1944. Inventory No. 54–F–3012, and the same file number.

Mr. CRAWFORD. In what region is that?

Mr. CLUCAS. That is Chicago, Ill.

Mr. CRAWFORD. Now will you identify the other one you looked at?

Mr. CLUCAS. The other one is January 3, 1944, 54–F–3031, also Chicago, Ill.

Mr. CRAWFORD. Based upon your previous statement, would it be reasonable for the committee to assume if great lots of material such as illustrated in those two Procurement Division solicitations for bids should move into what we might term irresponsible or outside-of-the-trade groups, that would become a first class inventory for black-market operations?

Mr. CLUCAS. It would be a very fine inventory for black-market operations.

Mr. CRAWFORD. For instance, suppose I went out here and set up a little operating company, either as a proprietor or a stock company, with my knowledge of these general things, and we start bidding a little higher than the usual fellow does and begin to acquire these various lots, your feeling is that would give us a first-class opportunity to start a black-market operation in the disposition of this type of material, would it not?

Mr. CLUCAS. That is exactly what might happen.

Mr. CRAWFORD. And that is due largely to the fact there is such a scarcity of plumbing material of all kinds and this small group, in particular, has been so completely frozen out of the field that you are right down now to the proposition of maintaining your existence until there is again a sufficient supply through legitimate channels of trade? Is not that about what you are up against?

Mr. CLUCAS. Yes, plus the fact that all of the materials we use, that is, the bulk of the materials, are made of critical materials. They are under restriction and we cannot, without proper priorities, buy them through the regular channels of trade; whereas these surpluses may now go out without any restriction, and it makes a perfect black market set-up.

Mr. CRAWFORD. That is all.

Mr. ROLPH. I would like to ask the witness a question. What is the general picture so far as the manufacturers of plumbing supplies are concerned? I understand recently there has been quite an easing in building materials generally and you are able to get certain products, and I was wondering if you could just elaborate, particularly so far as radiators, copper pipe, and brass goods are concerned.

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Mr. CLUCAS. Copper pipe is still under severe restriction. It has not been released as yet. If it has, it has just taken place in the last day or two.

Mr. ROLPH. And sheet copper the same thing?

Mr. CLUCAS. Sheet copper is the same. All copper and brass materials have been restricted and, in fact, most of the materials we use. There has been by Government order some relaxation of material restrictions. We now have a AA–3, which is a relatively low priority but we find our source of supply does not have the material on hand.

Mr. ROLPH. Are you a retailer or a jobber?

Mr. CLUCAS. Our people are retailers. They are contracting retailers.

Mr. ROLPH. Contracting plumbers?

Mr. CLUCAS. Yes. And the wholesalers' and manufacturers' stocks have been so depleted that they do not have the material to put out for that.

Mr. ROLPH. Are the stocks of the jobbers being replenished now?

Mr. CLUCAS. The manufacturers, some of them, are beginning to manufacture; but the stuff has not flown down through industry to the point where it is available, and I do not know how soon it will.

Mr. ROLPH. How about radiators?

Mr. CLUCAS. There are in some localities reasonable stocks of radiators, but they are still very difficult to get and they are still under restriction. Under certification by a consumer, a radiator which is damaged beyond repair can be replaced if it is essential to the operation of a system and has to be there to maintain heat in the building. If it can be cut out without causing any great harm, it cannot be replaced. We cannot buy any of this material to extend existing facilities, to provide additional living convenience where it is required and sorely needed. We are still prohibited from getting that and primarily because there is not enough supply to go around. We still are unable to get necessary repair parts, because the manufacturers and wholesalers do not have them.

Mr. ROLPH. How about brass goods?

Mr. CLUCAS. Brass goods are practically out of the picture. You can buy in the black market all you want of them.

Mr. ROLPH. How does the black market operate in the building line?

Mr. CLUCAS. They go into a man's place to buy stuff and pay more money for it, without any restriction at all. I have had no experience with the black market. We had a man here last week——

Mr. ROLPH. You say you personally have had no experience?

Mr. CLUCAS. No.

Mr. ROLPH. You are just stating what you have heard?

Mr. CLUCAS. I am just with the organization and all I know is what people who have had experience have said about it. So I have no actual first-hand experience.

Mr. CRAWFORD. Would you mind reading into the record item and at least a portion of item 3 in those solicitations you have t

Mr. CLUCAS. Item 2:

The Government reserves the right to reject any
and to waive technical defects if in the opinion of
interests of the Government so require.

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Item 3: Proposals must be accompanied by cashier's check, certified check, or postal money order in the amount of at least 25 percent of the total bid, except, when the amount bid is $50 or less, deposit of the full amount will be required. Checks and money orders shall be accepted as bid deposits only if made payable to the Treasury of the United States. Deposits accompanying bids which are not accepted will be promptly returned. Deposits of successful bidders will be held as security for payment of the purchase price and will be applied against the total amount bid. Payment in full must be made prior to removal of the property, and removal must be effected within 10 days of the date of the award.

Mr. CRAWFORD. Now there is nothing you have read so far that would impose an undue burden on the legitimate jobbing and wholesale plumbing trade, is there?

Mr. CLUCAS. No, sir.

Mr. CRAWFORD. In other words, if they had an opportunity—I mean by "they" the legitimate fellows—to bid on these lots, they could proceed to do so and thereby acquire these goods and then move them out to your group through the regular channels with a historical background, and the whole operation would conform to your view as expressed here; is that right?

Mr. CLUCAS. Yes.

Mr. CRAWFORD. In your opinion the small fellows to whom you have referred, whose total annual volume of business is $50,000 or less, the greater percentage of them, would not be able to participate in big orders like you have before you, would they?

Mr. CLUCAS. No, they would not.

Mr. CRAWFORD. In other words, they have to rely upon the legitimate trade, or resort to the black market?

Mr. CLUCAS. That is true. But my remarks were not pointed at the ability of our own people to buy all of this material, but to disposing of it through the channels of trade, which presumes that the distributors in the industry would buy and distribute this material.

Mr. CRAWFORD. Now I think one of the sheets you have there indicates how many of those proposals were sent out. Is not there a pencil indication up in the corner of one of those, indicting how many were sent out?

Mr. CLUCAS. One of them has a note on it "bids mailed to 137 bidders."

Mr. CRAWFORD. How many plumbing jobbers would you suppose there are in the United States—roughly?

Mr. CLUCAS. Well, we have in a magazine mailing list somewhat in excess of 1,600 wholesalers who make a business of stocking complete lines. Now there are a great many others in the industry or connected with the industry who have partial lines. I should say there are at least 4,000 distributing agencies whose primary business is to distribute through regular trade channels in our industry.

Mr. CRAWFORD. Now is a situation likely to develop with these old-established operators who have historically purchased their supplies directly from manufacturers where it may be some time before they get on to this type of operation and solicit having their names placed on these mailing lists and then following them up and you might say "muscling in" against the group that has heretofore carried on these salvage operations? Do you suppose anything like that may develop?

Mr. CLUCAS. Well, I have no way of knowing. All I know is when this material was called to our attention, I called the Procurement Division and asked them if we could be placed on the mailing list and

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they said we would have to write to the various regional directors throughout the country, to determine whether or not they would put us on. I have not received the names of the regional directors yet, so I do not know whether we will be put on the list or not. I asked that we be put on the list so that at least we could follow this program as far as possible, but I have not been successful yet.

Mr. CRAWFORD. At least, you want to have a chance to bid on it?

Mr. CLUCAS. Yes; at least to know where it was and give our people the information so that they will have an opportunity to bid on it.

Mr. PATMAN. It occurs to me the Procurement Division of the Treasury should have welcomed an opportunity to send your names out to those regions. How many different regions are there?

Mr. CLUCAS. Sixteen, I think.

Mr. GIFFORD. Would this procurement agency we now have be regarded as an agency that would have to notify this board of all surpluses they have on hand and yield to them in the method of the disbursement of it?

You want to wipe out the Procurement Division by setting up this board. Now, the bill distinctly says that all agencies of the Government having surplus property shall report it to this board. That means that the Procurement Agency itself, as now set up, must report all of its surpluses to this board.

Mr. PATMAN. Evidently, if this testimony is correct—and I presume it is correct, so far as this gentleman's knowledge goes—the Procurement Agency is not even getting a report of it. Certainly each region should report to some central agency within its own central organization.

Mr. GIFFORD. You can criticize the Procurement Division all you want to, but it is still in existence and has certain provisions of law now that it has to follow, and let us either put in this bill something that will make the Procurement Division subordinate to this board or have some provision to do away with it. Then there are storehouses already provided by this Procurement Division, and there will be a clash between them and the new storehouses set up by this new board. There is a great amount of this property that must be stored and gradually liquidated—as you suggest, a certain percentage a year.

Mr. PATMAN. That is right. There is nothing in this bill, though, Mr. Gifford, that will prevent them from continuing the operations that they were originally intended to perform, that is, as a procurement agency separate and distinct from an agency to dispose of surplus property.

Mr. GIFFORD. All right, if they can continue that phase of the operation after the disposal of the property is taken away from them; but you know perfectly well there will be a clash if you do not.

Mr. PATMAN. No; one is procuring, the other is disposing.

Mr. GIFFORD. But now it is both and here is a remarkable instance of it. They have advertised this great amount of stuff for disposal, not procurement. That is their job, and they can only dispose of it under the provisions of the present law. You are trying to give this new board absolute authority to use their own arbitrary judgment. Now, do you want us, under those general terms, to give this new board such arbitrary judgment as you contemplate? I claim, and I want

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you to answer that—why cannot we issue those general instructions to every board now in existence and let them continue; why set up this new board?

Mr. CLUCAS. That might be done. I did not come here for the purpose of trying to suggest that the Government procedure be altered. You have a bill setting up a certain type of activity which we believe is a good one. We all had experience after the last war with the dumping of surplus Government materials on the market. It created a great deal of havoc in our industry. It is not necessary, as I see it—maybe I am far wrong—for the Procurement Division, if they have their warehouses full of this material, to move that material into another warehouse. All they need to do is to report they have an inventory of certain items in their warehouses which is surplus and which they want to get rid of, and permit the authorized agency to advertise that material for sale. By working with people who are in a definite type of industry, surely it seems the Government itself would profit by receiving better prices than to have this material sold by people who do not know exactly what they might be selling.

Mr. GIFFORD. You acknowledge we have warehouses and are in the warehouse business, and the Government is paying an awful lot of money for warehousing today and it really has become a warehousing industry, and won't there be a clash of interests where they try to levy on the warehouse of another agency? I do not know. But I want to ask you this: Have you seen the bill before the Public Buildings and Grounds Committee that they have been holding hearings on? Have you appeared before that committee?

Mr. CLUCAS. No, sir. I do not know about that bill.

Mr. GIFFORD. I do not want to feel the unpoliteness of the Director of Procurement is influencing you to be favorably inclined to the R. F. C. because they have designated them as the people to handle this; because we all want you, the trades people, to have this business. I think we are all agreed on that. Now why cannot we say that and have it apply to all agencies, that those in the trade, whether automobiles, plumbing, or anything else, should be preferred to act as an agency And you want arbitrarily to determine the amount of commission you receive for selling, or determine the price you should pay, and I am inclined to think you would come to us later and say you have been unfairly treated, too.

Mr. CLUCAS. The only thing we have to go by is the comparison of the methods of operation. We have a direct comparison at the moment. Until recently, we knew nothing about the Treasury disposing of surplus properties. Our present knowledge of the Treasury procedure convinces us that it is not a sound policy insofar as industry is concerned. The R. F. C. is also disposing of materials it has on hand, the result of operation of the Murray-Patman Act. Under the R. F. C. plan, industry is advised of the materials being offered for sale, giving an opportunity for distributors and dealers to take up the available materials and distribute them through regular channels and under existing restrictions. This type of plan should benefit established industry and prevent chaos that is bound to come from promiscuous distribution of surplus materials through speculators.

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Mr. GIFFORD. Just one more question: Would you rather have the Congress lay down a general procedure favorable to the trade handling surplus property, than to put it under the whim of arbitrary authority largely of one set-up where all other set-ups have to report to them before action can be taken?

Mr. CLUCAS. So far as I can see, it is just a transfer of authority. As I understand it now, all of the agencies must report to Treasury Procurement the surpluses that they have to sell.

Mr. GIFFORD. But do we want to pass a general order for them to follow so that any agency such as the Army and Navy, which have a tremendous amount of property, and the R. F. C. has a tremendous amount of property, will report to one agency? Do you want to force them into one agency, or do you want to permit them, under certain proper conditions, to dispose of this property? Do not you think if you were an agency of the Government handling a vast amount of material of a certain kind, that you could not attend to its disposal better than some new agency that would be set up?

Mr. CLUCAS. No.

Mr. GIFFORD. Some central agency, which could force you to make inventories and say that all inventories must be made on the same principal? I can foresee, with one agency trying to get information from everybody before they can act, so that they will know the quantity and the probable chance of disposal at a price, that you are fastening upon that agency something that is unnecessary; but we can tell each agency how to do it, in general. Now, is not that something to be thought of?

Mr. CLUCAS. I rather think a central agency would be a more practical plan than to have a number of agencies trying to do the same job, because then there will be a clash.

Mr. FORD. There will be a battle of agencies.

Mr. CLUCAS. There will be a battle of agencies.

Mr. PATMAN. You said you asked the Procurement Division of the Treasury to place your name, as a representative of the retail dealers in the plumbing business, on their list to receive invitations to bid.

Mr. CLUCAS. Yes, sir.

Mr. PATMAN. Did you do that in writing?

Mr. CLUCAS. No; I did it over the telephone.

Mr. PATMAN. And what were you told?

Mr. CLUCAS. I was told they would give me a list of the regional directors.

Mr. PATMAN. And that you would have to take it up with each separate director?

Mr. CLUCAS. With each separate director, yes; and they suggested that we stay out of it and notify our people where the regional directors were, and they could contact them from time to time.

Mr. PATMAN. To let your people contact each region from time to time.

Mr. CLUCAS. Yes.

Mr. PATMAN. And you never did receive a list of the regional directors?

Mr. CLUCAS. I have not received it yet.

Mr. PATMAN. Whom did you talk to over the telephone; do know?

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Mr. CLUCAS. No. I was switched around four times, and I have forgotten the name of the party I finally did talk with.

(The following letter was later received from the witness for insertion in the record:)

NATIONAL ASSOCIATION OF MASTER PLUMBERS,
Washington, D. C., January 20, 1944.

Hon. WRIGHT PATMAN,
House Office Building, Washington, D. C.

DEAR MR. PATMAN: Supplementing my remarks of this morning before the House Banking and Currency Committee, I should like to submit the following: The Reconstruction Finance Corporation is now advertising for sale certain materials and equipment taken over by them under the provisions of the Murray-Patman Act. The equipment advertised with the letters of January 12 and January 18, signed by W. E. Willett, administrative assistant, Examining Division, consists in part of:

Oil burning equipment, including oil burners, oil-fired space heaters, boilers, and furnaces.

Fluorescent lighting fixtures.

Industrial and commercial refrigerating equipment.

In discussing the sale of the foregoing materials with a representative in Mr. Willett's office, I learned that similar lists are going to various trade associations in industries which might have members interested in this equipment because it was a part of their regular business. In the event that dealers, distributors, and other outlets which ordinarily handle such materials and equipment are not interested in the purchase of the materials now being held by the Reconstruction Finance Corporation, it will be subject to open sale to consumers.

The material and equipment mentioned above is under restriction by the War Production Board and Office of Price Administration and some of it is rationed, as is much of the material used by the plumbing and heating industries. It will not be sold to anyone, dealer or consumer, unless the existing restrictions are complied with.

In my remarks this morning, I spoke of the Reconstruction Finance Corporation plan and stated that it was a commendable procedure. If such a system can be developed under H. R. 3873, it is our opinion that industry will not be disrupted as is the case under the present procedure of the Procurement Division of the Treasury.

Very truly yours,

W. F. CLUCAS.

Mr. CRAWFORD. By reason of some of the critical things I have had to say about the present procedure, I would like for the record to show that, insofar as my opinions are concerned, I think the Treasury Department is now conforming to the law under which it is operating. The thing I disagree with is the law which authorizes or permits or directs the Treasury to proceed as it is now doing. That is my big complaint. I think certain Treasury officials are using poor judgment, for instance, if in a case where we are now suffering as we do for want of plumbing material, only 137 of those notices were sent out, with the great scarcity of this type of material at the present time. I think that was awfully poor judgment on the part of the Chicago region. I think they should have given that wide circulation. That is one of the specific complaints I have. Another specific complaint I have is what I would term, perhaps for lack of a better word, the arbitrary manner in which Treasury Procurement Division disposes of these items. I am human enough to understand why they do that, but I disagree with their doing it.

If over the past 25 years I had been sitting down here at a disposal desk and I have never had very many supplies to dispose of, and I have 10 or 15 fellows who have always come to my rescue and helped me unload this stuff and get it out of the way, the chances

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are I would have a few pets in the picture. I think that is perfectly human. But as I move into the field which calls for the disposal of anywhere from 40 billion to 70 billion dollars' worth of goods—and I think there is plenty of evidence to indicate it is going to be something in excess of $50,000,000,000 worth of goods—to me that calls for a reexamination and recasting of the whole procedure, and it will perhaps call for a rehashing and a revamping of the ideas of the Treasury officials who have heretofore handled this surplus material. I think it calls for one of the biggest merchandising jobs in all history—that of disposing of the forthcoming surplus materials inventory in a country the expanse of ours, and in a manner which won't bring destruction to tens of thousands of small enterprises. That is the big objective that is ahead of me in this whole thing.

Mr. ROLPH. I would just like to say in my opinion the gentleman has developed a thought that strikes at the very heart of this thing. It seems to me before we can make an intelligent decision on this whole matter that we really ought to have an inventory of how much merchandise is going to be for sale. We are talking about a proposal that certainly none of us know anything about, because, when talking about these lists of material we are talking about, we are all comparatively ignorant of the lists of material. And this agency is going to have the sale of the most gigantic inventories the country has ever known.

I think the gentleman [Mr. Crawford] has developed something here when he says this is going to be one of the most gigantic merchandising problems that was ever before the country. I think we really should have an intelligent inventory in order to have an intelligent approach to this thing and find out how we are going to do it.

Mr. DILWEG. We would all be up for reelection before we could agree on that!

Mr. CRAWFORD. Won't you agree with me on this, that it is utterly impossible for us to get an inventory of this material now? The goods are now moving out; things are beginning to break and goods are now moving out. Here is evidence of it, and this is in plumbing supplies only. We do not know how many jeeps there will be for sale; how many trucks; how many touring cars; how many of 10,000 items; how many of everything used by a modern army and certainly in the way they are now operating, and we will not know until the Army, Navy, and those other departments survey what they have as surplus material. The inventory cannot be determined until that certification is made under present law or under prospective law.

Mr. ROLPH. Cannot we get some approximation of it?

Mr. CRAWFORD. No, sir.

Mr. PATMAN. We do not know how much the Army will have after this war is over; we do not know how much the Army will have in foreign countries; we do not know what material they will require. There are so many ifs and ands in connection with it, it is absolutely impossible to determine. But I think we can safely deal with it under the principle involved in this bill.

Mr. CRAWFORD. Yes. I am substantially informed that the Government has over 50,000,000 individual high-grade woolen blan[illegible], how many will you have in your surplus declaration? I do not k[illegible] maybe 10,000,000; maybe $20,000,000. And there might t[illegible]

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000,000 plus another 25,000,000 used blankets that the rehabilitation program could use, also. We do not know.

Mr. GIFFORD. I want to direct a question to the witness and I want Mr. Patman to answer it. You set up a new board here which is an agency of the Government without question. Then after they determine the surplus you tell the R. F. C. to dispose of it. I want to ask you did you have it in mind that the R. F. C. is not strictly a Government agency and, if you could deal with the R. F. C., they could loan you money to purchase it without coming to Congress, as they have full authority to do it. They do not even come to Congress for an appropriation. Was that in your mind?

Mr. PATMAN. It was not in my mind, but it brings up a very good thought, that is, that the Government possibly could get more money for the stuff if somebody furnished for money to buy it.

Mr. GIFFORD. That brings up a lovely situation, because the R. F. C. can go into the market and sell guaranteed bonds and get all the money they want and they have plenty of money. Of course, the Procurement Agency cannot do that; they are heemed in by Government regulations. But you are trying to put this over into an agency that we all have confidence in, of course; but Jesse Jones broke his collarbone the other day and he may break a worse bone the next time and may not be in there. I want to ask Mr. Patman if that was in his mind, that the R. F. C. can be a credit agency as well as a disposal agency?

Mr. PATMAN. No, that was not contemplated at all.

Mr. GIFFORD. But it is grand, is it not?

Mr. PATMAN. Yes, it is grand, if you have such a huge quantity of supplies, say, that cannot be sold separately very well, but have to be sold in bulk, if credit can be advanced to someone to buy them and in that way enable the Government to get more for them. It would be in the public interest to do so, but that is not contemplated in this bill.

Mr. GIFFORD. Well, it is there; that is the result.

Mr. PATMAN. Well, is it bad or good; which would you say?

Mr. GIFFORD. Well, it depends on collarbones. [Laughter.]

Mr. PATMAN. Well, you were complaining because the Procurement Agency does not have the power. Do you want the Procurement Agency to have that power?

Mr. GIFFORD. I am not complaining about it. I say we could give them the power.

Mr. PATMAN. And Mr. Jones, I do not think, should come into this matter in a personal way.

Mr. GIFFORD. Is the R. F. C. Mr. Jones; is that all there is in the R. F. C.? You understand I am not unfriendly to Mr. Jones.

Mr. PATMAN. Well, you should be very proud of him, because your President selected and appointed him in 1932 and he has been there ever since.

Mr. GIFFORD. I have Mr. Jones' picture in my office; I have his picture on my wall, taken with me. But he cannot be always there. He cannot do so much. The bill is wide in scope and has a lot in it.

Mr. ROLPH. Mr. Chairman, before we get off this proposition, this morning's paper carried a statement about the hearings on renegotiation in the machine-tool business, in which hearings it was developed that the machine-tool business expects it will take 15 years, after the war, to absorb the quantity of machine tools that will be hanging

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over the market. That is just one intimation of how far reaching this proposition is.

Mr. PATMAN. That is very true, Mr. Rolph. It is certainly something which should be given our attention. I think there will be $15,000,000,000 of machine tools after this war is over. I don't know whether it should take 15 years to dispose of them; but a reasonable time should be allowed.

Mr. Chairman, may I read one advertisement I have here, giving its headings? This is something gotten out by a commercial firm. It is entitled—

Fifty Billion Dollars' Worth of War Surplus Materials for Sale!

On the back, it says:

Subscribe today! Use order blank below.

Above that, there is the heading:

How you can cash in on these surplus sales!

Demand for merchandise of all kinds, due to restricted civilian manufacture, far exceeds available goods. This condition will exist for several years because war manufacturers cannot retool overnight. Our entire national economy must depend upon Federal war surplus to supply these needs. It is estimated that there will be 10 times as much surplus to sell after this war than there was after the last war.

The last statement is underscored. Then follows:

Get in on the ground floor now—

with "now" in big caps.

Familiarize yourself with Federal sales methods now so that you will "know the ropes" when these huge transactions reach their peak.

Your competitors will be among the buyers of these surplus goods. After the last war some surplus war materials sold as low as 10 cents on the dollar.

Daily surplus sales record and sales (weekly) will keep you posted on Federal sales and industrial public auctions, telling you what is offered, where and when it can be bought and under what terms. You will find published many opportunities to purchase just the supplies and materials you can use. Watch them—see what is sold—what price it brings and who buys it. This information is vitally important to you.

Then

Subscription rates:

Daily Surplus Sales Record, $75 per year (via air mail, $1.25 per month additional).

Sales (weekly), $15 per year (via air mail, $3.50 per year additional).

Subscribe today. Use order blank below.

Sales, 133 West Twenty-first Street, New York 11, N. Y.

Mr. TALLE. Is the firm named there?

Mr. PATMAN. Yes; that is the name of it—Daily Surplus Sales Record, with the subscription rate of $75 a year to keep their subscribers informed.

STATEMENT OF J. LEE HACKETT, PRESIDENT OF THE J. LEE HACKETT CO., DETROIT, MICH.

The CHAIRMAN. Mr. Hackett, you may proceed as you wish. First, please state your name and whom you represent.

Mr. HACKETT. J. Lee Hackett, president of the J. Lee Hackett Co., Detroit, Mich. We are rebuilders and dealers in woodworking and metalworking machinery. I am also on the W. P. B. Industry A

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visory Committee representing used woodworking machinery industry.

I have read this Patman bill, and to me it looks like the most logical, efficient, sound, and simple way to handle this surplus machinery for the Government, so that the Government will get the most money out of it and with the least amount of chaos in the industry and injury to the manufacturer of new equipment. You would sell more machinery by this method and in a shorter length of time, and get a higher dollar value for it, than by any other method.

If you can take the entire machine-tool sales industry and get them to work for the Government selling this equipment on a commission basis as is set up by the regular manufacturer of this type of equipment, it would be handled more efficiently, more promptly, and more profitably. They know the trade, they know the equipment, and they know how to dispose of it, with the least amount of trouble.

There was a question which was brought up here yesterday about the proper description of this equipment. That has not been done in the past by anyone sending out records or bids for the Government, but that is very important if you are going to get bidders who are going to give the most money for the equipment. I think all machines should be properly described, listed, and appraised—which has never been done.

Then, too, in order to let the small fellow get a lot of this equipment, and in order to sell it faster, this could be done by a time-sales plan which I think the R. F. C. now could set up, the same as on the H. O. L. C. proposition they have had in the past, which would move that equipment much faster, because there are a lot of people who would not have the money to buy it if they had to pay spot cash for it.

As for selling the equipment through the present Government agencies, I don't think they have the personnel or the proper knowledge or experience to handle this machinery to the best advantage for the Government.

I might mention I was in one of the big automotive purchasing departments in the last few days, and they wanted to buy two new 24-inch upright drills. The W. P. B. advised them there were five of these drills in Memphis, Tenn. They wired there for a price on them, and I happened to be in the office when this wire came back. The major who sent the wire, instead of quoting on 24-inch upright drills—which is what the man wanted and had specified—quoted him on 3-foot radial drills, at the price paid for them, plus transportation, and 5 percent. Why that 5 percent was put on there, I don't know. The man said:

> Why should I buy this from the Government and pay them a premium and get no guaranty, when I can buy new equipment from the manufacturer? Anyway, here I have lost 1 week trying to find out something about this, and then they quote me on something I am not interested in.

So a fair conclusion would be, if the Government is going to handle things in that sort of manner, the results aren't going to be very satisfactory.

Mr. PATMAN. Are you on a list to be notified of these surplus machines, Mr. Hackett?

Mr. HACKETT. We are, and we have gotten some notices of them recently.

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Mr. PATMAN. Do you get that through the central office or the regional office?

Mr. HACKETT. The regional office.

Mr. PATMAN. Doesn't it occur to you that there should be one central agency to clear all this information?

Mr. HACKETT. That, to my mind, is the way to do it—and send it to all the industry, to everyone of them and not to just a few. That is the way everybody else who sells equipment does it.

Mr. ROLPH. Don't you get some information through your trade journals, also?

Mr. HACKETT. We do, and also we subscribe to that service Mr. Patman was speaking about.

Mr. PATMAN. That seems a pretty high rate, $75 a year. They must be able to render a very remarkable service to merit a subscription rate of $75 a year.

Mr. HACKETT. They keep you posted on information you would otherwise overlook.

Mr. PATMAN. Why should they have the inside track on information the Government should supply you?

Mr. FORD. Thousands of people have had the inside track on what the Government is doing.

Mr. CRAWFORD. Mr. Hackett, have you ever had any of what you might call "corporation" sales experience?

Mr. HACKETT. Yes, sir; I have worked for corporations and have sold machinery for them.

Mr. CRAWFORD. Is it your opinion that a much better merchandising job can be put out, from every angle, if all Government agencies would furnish inventories to a certain Government agency?

Mr. HACKETT. I think so.

Mr. CRAWFORD. Then with that central Government agency proceeding with the merchandising job, we could possibly get, if we write them specifically in the statute, instructions saying exactly how any or all agencies shall proceed to sell their inventory.

Mr. HACKETT. I think that is correct.

Mr. CRAWFORD. That is one big reason why you are for this bill?

Mr. HACKETT. Yes, sir. I think it would save a lot of time and it would be a much more efficient way to handle it.

Mr. CRAWFORD. I agree with you on it.

Mr. DILWEG. Would your association be willing to furnish a man for the Government?

Mr. HACKETT. On our advisory committee there are about 10 different dealers there representing all kinds of industry, and each one of those men said he was not after a selfish profit in this thing. They said they would be glad to go in at their own expense and appraise this machinery for the Government and describe it for them.

Mr. DILWEG. So the information available through this $75 fee could be supplied for nothing in the particular branch of the industry?

Mr. HACKETT. That $75 fee just tells you when it will be sold and where it will be sold and how much of it will be sold.

Mr. DILWEG. They must have somebody here in Washington watching those things continuously, I suppose.

Mr. HACKETT. That is right.

Mr. DILWEG. Which you could do in your own industry?

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Mr. HACKETT. We couldn't do it so well in our own industry; but if there were a central source of this information, as Mr. Crawford speaks of, it could be distributed to everybody.

Mr. DILWEG. I am assuming there would be that source.

Mr. HACKETT. Yes, and if you had that central agency distributing the information to everybody, you would have the situation handled. To me there is nothing difficult about this job, if you go about it through the regular channels.

Mr. CRAWFORD. Do you recall offhand roughly the annual sales of the United States Steel Corporation?

Mr. HACKETT. No, sir; I do not.

Mr. CRAWFORD. This job calls for a volume many, many times the annual sales of the United States Steel Corporation.

Mr. HACKETT. What difference does it make, whether it is what the United States Steel Corporation is handling or 10 times that amount? You would use the same methods to dispose of it.

Mr. CRAWFORD. What I am trying to do is emphasize the magnitude of this thing.

Mr. HACKETT. Well, it just takes a little more time to do it; that is all.

Mr. PATMAN. Your principle remains the same, regardless of the amount.

Mr. HACKETT. Yes, the principle is the same.

Mr. ROLPH. Getting back for a moment to this radial drill you spoke about down in Tennessee, supposing the Treasury Department sent circulars all over the United States on that equipment, how many firms outside of that neighborhood, in that immediate region or district, do you think would bid on it?

Mr. HACKETT. There would be enough of them to get you a higher dollar for it. But anyway, that wasn't the particular point there. The point is that they wanted one thing and were quoted on something else.

Mr. ROLPH. We will assume this was material you couldn't take, which didn't fill your requirements or meet your specifications, and they suggested something else. Supposing these other tools are surplus tools, and the Treasury wants to dispose of them, what good would it do for a dealer in Minneapolis to receive a circular about something to be sold in Memphis, Tenn.? That is what I would like to find out about, because as far as the Minneapolis man is concerned, there is all that freight to be added, and I can see the point of the Treasury in confining that circularization to that particular area.

Mr. HACKETT. There may not be in his particular area the machines he wants, and he may have to go to Tennessee to buy them. Wherever they are, that is where he will have to go to get them.

Mr. ROLPH. Is that so? In other words, the dealer would absorb the freight from Tennessee?

Mr. HACKETT. That doesn't worry him. We are shipping stuff right now to the Pacific coast, and have been doing it right along.

Mr. ROLPH. On this question about sending out these circulars, Mr. Hackett, I think the Treasury Department would not have any trouble with that at all. It is simply a matter of increasing the mailing list. What I would like to find out is how much good it would do, if that were done.

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Mr. HACKETT. It would do a lot of good. You may not have a dealer in Minneapolis who wants to buy that machinery at that particular time, but there would be others, at equally distant points, who would want to buy it.

Mr. ROLPH. And they would stand the freight?

Mr. HACKETT. Yes; they would stand the freight.

Mr. ROLPH. Thank you very much.

That is all I care to ask, Mr. Chairman.

Mr. PATMAN. Have you finished your statement, Mr. Hackett?

Mr. HACKETT. Yes, sir; I have finished.

Mr. PATMAN. Mr. Chairman, I presume if these witnesses desire to insert something in explanation of their remarks, they will be permitted to do so.

The CHAIRMAN. Yes; I think that will be all right.

Mr. PATMAN. Mr. Harvey Goldman is next.

STATEMENT OF HARVEY GOLDMAN, OF HARVEY GOLDMAN & CO., DETROIT, MICH.

Mr. GOLDMAN. My name is Harvey Goldman of Harvey Goldman & Co., of Detroit. I have been in the machinery business for over 20 years, and I am in the third generation of our family that has been in our particular business and allied ones in the city of Detroit.

Mr. WOLCOTT. In that connection, are you manufacturers, or dealers?

Mr. GOLDMAN. We are dealers. We represent a number of new manufacturers in the territory; also we do a considerable used-machinery business.

The subject of post-war planning has been of great importance and it has been given a great deal of study. About six or eight months ago a plan was submitted to the board of directors of the Machinery Dealers National Association, for the handling of surplus equipment. I would like to read some of the data to you, as the Patman bill, as it has been presented, fits the picture almost perfectly, as we of the industry have had an opportunity to study it.

Mr. KEAN. By whom was this suggested? Did you say a plan was suggested to you?

Mr. GOLDMAN. No; I said a plan has been developed.

Mr. KEAN. Developed by whom?

Mr. GOLDMAN. By me.

This basic plan can be easily adapted to many industries. It was conceived as an aid to the establishment of general policies that would enable orderly absorption of surplus manufactured goods into our economic system, with minimum disturbance to our established trade practices. The objectives are as follows:

1. Aid industry by enabling it to easily and quickly convert and expand present facilities.

2. Assist absorption and placement of men returning from service in the armed forces by enabling industry to develop new products.

3. Make available to American industry modern and better equipment to increase production, lower costs, expand markets.

4. Prevent collapse of the new machine-tool industry due to glutted markets.

5. Protect Government investments by minimizing loss.

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6. Fulfill our commitments to the old and new world with marginal machines and equipment not adapted to our high production methods.

I would like to make a statement here so that we can all understand why this has particularly been adapted to the machine-tool industry. That is the industry with which I have always been connected and with which I am most familiar. As a result, this plan has been adapted to that particular industry; but, as I have expressed before, I feel the general principles can be developed, as they have been in the Patman bill, to include other industries.

The plan would operate as follows:

Management: The country is to be divided into districts with a regional office in each district and a central office at a point to be selected. Each district is then to be subdivided into territories dependent upon the volume of machinery involved in that particular locality.

Warehousing: All Government-owned machine tools, upon which the option to purchase under previous agreement has not been taken up, are to be sent to Government warehouses in strategic locations, with as complete equipment as it is possible to obtain.

Cataloging and description: Each machine tool; both standard and special, is to be listed and cataloged according to type, and with complete specifications.

Pricing and appraising: Standard machine tools are to be priced at their depreciated values, at a rate to be set as standard by the advisory committee. Special machines are to be appraised by competent appraisal committees who will be retained from the machine-tool industry. These committees are to consist jointly of new- and used-machine-tool dealers, selected according to their knowledge and experience with the type of equipment involved. All machinery prices would be further reduced as may be determined by the advisory committee.

Selling procedure: All information regarding individual machines will then be turned over to the machine tool industry for resale to the trade. New machinery will be handled exclusively by the new-machine-tool dealers, and the used machinery will be handled only by the used-machine-tool dealers. Standard Government policy shall be to give the mechine-tool dealer a resale discount of the appraisal price. This is standard practice in the machine-tool industry. The amount of the resale commission is to be based upon conclusions of the advisory board. The United States Government, or any of its agencies, is not to participate directly in any sale to industry. Prospects may contact the divisional offices for any information they may desire.

Terms of sale: Regular terms of sale are to be cash with order, or an extended payment plan with terms to be decided by the advisory board. All extended payment sales are to be made on a title-retaining contract basis, with the title to be retained by the United States Government.

Adjustments: In each regional office there is to be a committee composed of Government officials and men of the industry who will act as a property committee. This committee hears and acts upon questions of equity and also renders decisions regarding changes in appraisal figures. Any specific offers that require changes in valuation must be favorably acted upon by this committee before it can be sent to the central office for approval. In this way the general

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policy of the agency can be administered without a great deal of red tape and loss of time. There can be no conflict of deals, as each dealer or broker will be required to register his particular customer with the central agency in the district, in order to be protected with his specific client.

The benefits to be accrued may be outlined as follows:

1. Aid industry by making instantly available quantities of good, late-type machinery and accelerating the process of reconversion.

2. Make available to both small and large manufacturers a low-cost long-term finance plan, enabling them to speedily modernize and convert to peacetime operation.

3. Reemployment of returning veterans and absorption of large quantities of labor temporarily unemployed because of conversion, would be greatly aided by the assistance given industry with this plan.

4. New employment would be enlarged because of development of new industries and processes as a result of the ease with which present manufacturing facilities could be extended and new ones set up because of the modest capital required under the Government finance plan.

5. Protect Government investments by keeping prices at fair levels. An orderly liquidation is the only manner to obtain the greatest return to the Government.

6. Assist new-machine-tool industry to keeping prices at fair levels. Many far-sighted manufacturers would then prefer to buy new machine tools, which would be the most modern in design and capable of performing the best quality and quantity of work.

7. Sales of Government property made on a fixed-fee basis secure the best experience and knowledge of the machine-tool industry. The benefits accruing to the industry would aid in stabilizing prices and the industry itself.

8. The program could be speedily inaugurated with the assistance of the machine-tool industry. Both new and used branches have shown themselves willing to cooperate in all respects with Governmental agencies. Some of the features of the plan are already incorporated in the Home Owners' Loan Corporation and have worked in a most satisfactory manner.

Mr. PATMAN. How has the Home Owners' Loan Corporation functioned, that would be beneficial in this respect?

Mr. GOLDMAN. They, I believe, were the first governmental agency to set up property committees and real estate advisory groups to assist them in the orderly disposition of the property they acquired in the Home Owners' Loan Corporation.

Mr. PATMAN. They had a problem, then, very similar to this one, did they not?

Mr. GOLDMAN. Yes, indeed; they did.

Mr. PATMAN. Would you recommend all Government employees on these boards or would you recommend some connected with the industry?

Mr. GOLDMAN. No; I would say probably the head of the regional office would be the chairman of the committee.

Mr. PATMAN. You mean a governmental employee?

Mr. GOLDMAN. Yes; a governmental employee.

Mr. PATMAN. Then you would have advisory groups, as do t] O. P. A. and the W. P. B.?

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Mr. GOLDMAN. And then have advisory groups of each respective industry. These groups, I feel, should be best comprised of new machine tool dealers and used machine tool dealers.

Mr. PATMAN. How would you handle the export trade?

Mr. GOLDMAN. That question has been asked before, and I have set it down here. I feel the selling policy should remain constant, whether machine tools are sold for domestic or export trade. There are many concerns which have been carrying on an export business for years, and we feel that the export trade can be handled through the usual channels.

We are strongly opposed to any governmental policy that would take modern, up-to-date machine tools of the latest design and ship them to foreign countries, so that we would immediately set up competition of the most disastrous nature, by virtue of their low standards of pay. While we feel we have a responsibility toward our foreign neighbors, and we wish to assist them, it would not be wise to ship them immediately the best and finest equipment that is available.

Mr. PATMAN. How long would it take to do the warehousing, the cataloging, and the pricing of these surplus materials in such a way that you could then begin selling them?

Mr. GOLDMAN. I am glad you mentioned that, Mr. Patman. I believe that particular phase of the work has been greatly overemphasized, because I think there are numerous standard machine tools where, with an adequate description and broken down into groups of, say, 2 years or 5 years or 10 years, as I think they could be generally grouped together, basic prices can be set.

I think the question can better be answered when it is learned, also, what type of inventory or information you already have available. I don't think we are right in assuming that all equipment would have to be warehoused, as a great many machines would be purchased by the factories using them at the present time, providing, first, there is quick action with a minimum of red tape, and, second, a good, long-term financial plan can be made available to them.

Mr. PATMAN. How would you compare the plan that we propose in this bill with the plan now existing? And tell whether or not you favor the proposed plan as against the present plans, and why.

Mr. GOLDMAN. Well, I think the Patman bill would fit perfectly into the picture. I think it is a very flexible plan, and I think the advisory groups are given enough authority and enough latitude and enough flexibility to work out this whole situation in a very beautiful manner.

Mr. PATMAN. You think it is desirable, in preference to the present plan?

Mr. GOLDMAN. Oh, yes; that is altogether out of the question, because I feel that the people in the various governmental agencies that have particularly to do with machine tools—and I am only speaking now of machine tools, because that is the limit of my experience with those people—I feel they are personally very nice people, but unfortunately they have not had the experience or the training or the knowledge of the work they are doing. I mean, in other words, it is asking just too much to expect that those people could step into as difficult a situation as that and walk off with the job.

Mr. PATMAN. That is all I have, Mr. Chairman.

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Mr. TALLE. You spoke of long-term financing of these purchases. I am wondering if it was intended under your suggestions to include the export trade in that long-term Government financing.

Mr. GOLDMAN. No; I feel that is beyond our sphere. I don't think there was any mention made of it in the bill. At least, I don't recall having heard any mention of it, and I didn't intend that our financing plan should take into consideration anything beyond the needs of our own manufacturers.

Mr. TALLE. In this country.

Mr. GOLDMAN. In this country.

Mr. TALLE. What about lend-lease?

Mr. GOLDMAN. I am sorry, but that is beyond my knowledge and experience. I am not familiar enough with it to discuss it.

Mr. TALLE. But machine tools have gone through lend-lease quite extensively, have they not?

Mr. GOLDMAN. I understand a lot of them have gone out under lend-lease; yes.

Mr. TALLE. You are leaving it to our Government to take steps with respect to those surplus machines, are you not?

Mr. GOLDMAN. I don't know what provision has been made for that.

Mr. ROLPH. Mr. Patman referred to the present plan as compared to his plan. I didn't know machine tools were being offered for sale under any plan.

Mr. GOLDMAN. Yes; they are, as a matter of fact, by four or five different governmental agencies, and each one of them has its own method of selling. In other words, some of them, on the description of the procurement officer, ask for bids. Other outfits ask even more than new prices for used machinery, which is in direct violation of the O. P. A. regulations. But the procurement officer in that particular district seems to feel that it is his duty to get the greatest possible amount of money for the Government, regardless of whether he violates any of the regulations or not.

Mr. HULL. Which agencies have been offering machine tools?

Mr. GOLDMAN. I think Mr. Schulman, who is one of the witnesses who will follow me, is really more in possession of that particular detail than I am.

Mr. CRAWFORD. Mr. Goldman, suppose I had a little plant with 20 machines on my floor, tooled with such machine tools as I had when the war started, plus a few new ones I bought to handle some subcontract. Suppose a plan such as you suggest went into operation, and I was satisfied with the financing arrangement which the R. F. C., we will say, offered me, and I wanted to put in an entire set of new machines and tools. What is your idea as to what credit I should be allowed, if any, on my old equipment?

Mr. GOLDMAN. Of course, I don't feel the Government has any place in that picture at all, because that is one of the prime functions of a redistribution group such as the used-machinery dealers. You see, they take in a field that is unique, and they sort of fill in the gap between the new-machinery dealer and the manufacturer and the original customer.

Mr. CRAWFORD. Then I should dispose of my 20 old machines and tools in whatever manner I could and to the best advantage, and pr ceed to make my deal with the Government disposing agency——

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Mr. GOLDMAN (interposing). No; wait a minute. I want to check you right there. You don't make your deal with a Government disposing agency, under the plan I have suggested, because the Government doesn't enter directly into any negotiations whatsoever. They are not to be set up as competitors in any way, shape, or form, regardless of whether it relates to automotive manufacturers or dealers, to machinery dealers, the plumbing dealers, or whoever it may be.

Mr. CRAWFORD. I misunderstood you, then, because I thought your plan there called for this Government agency, where all of these goods are to be concentrated, to extend the necessary credit and all that goes with it, to induce American operators to purchase the new-type machines and put them in their plants. Who is to render that sales service to American industry?

Mr. GOLDMAN. I think the machinery dealers are fully qualified to do it.

Mr. CRAWFORD. All right. Then it is your proposition that the Government disposal agency shall sell all of this stuff to the machinery dealers on a cash basis, and let them extend the credit to the individual operators?

Mr. GOLDMAN. No.

Mr. CRAWFORD. Then who is to extend this credit you are talking about?

Mr. GOLDMAN. The R. F. C.; the Government.

Mr. CRAWFORD. That is the Government disposal agency I am talking about. I understood you didn't intend to do that.

Mr. GOLDMAN. Then I didn't make the point very clear, because the Government, I feel, should confine its activities strictly to governmental activities and to governmental functions.

Mr. CRAWFORD. Then let me restate my question: If I had a plant with 20 machines on the floor, and I wanted to make this shift, by reason of the price and the credit extension which the R. F. C., the Government disposal agency, offers to me, that part of it is satisfactory. Then under your plan it is up to me to proceed to dispose of my old machines, and the tools thereon, and make the best deal I can, after which I go to the R. F. C., or such other Government agency as may exist for that purpose, and make my trade there.

Mr. GOLDMAN. No. The first thing you would do under this particular plan would be to call in your regular machinery dealer, the person with whom you have been dealing maybe 15 or 20 years, and give him a list of the equipment you desire, give him a list of the equipment you wish to dispose of, and let the dealer and the user work out their own arrangement. Then the dealer would buy the equipment from the Government disposal agency.

Mr. CRAWFORD. Then you would use the machinery dealer as the facilitating agency to get the equipment from the Government disposal agency into my plant?

Mr. GOLDMAN. That is right.

Mr. CRAWFORD. And to get the old machinery out of my plant?

Mr. GOLDMAN. That is right.

Mr. CRAWFORD. Then the Government disposal agency would have cash or credit relations with the machinery trade, instead of with the——

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Mr. GOLDMAN (interposing). No; the relations would be just the same, or the contract would be made out just exactly as the Home Owners' Loan Corporation handles them.

Mr. CRAWFORD. Let us keep out of the Home Owners' Loan Corporation. I am not interested in that whatsoever. I want to know how you are going to help me equip this plant with new machinery. Is the paper which I give, covering the consideration on the machinery, to run to the Government agency——

Mr. GOLDMAN. Yes.

Mr. CRAWFORD. Or to the machines?

Mr. GOLDMAN. No; to the Government agency.

Mr. CRAWFORD. Then the Government disposal agency extends to me credit——

Mr. GOLDMAN. That is right.

Mr. CRAWFORD. Covering the unpaid portion of the new machinery?

Mr. GOLDMAN. That is right; and the title is to be retained by the Government.

Mr. CRAWFORD. But the deal is to be made through the machinery people?

Mr. GOLDMAN. That is right.

Mr. CRAWFORD. Then I understand you. But at first I thought the trade was to be made on the sale of the new stock by the Government disposal agency to the man who wants those machines.

Mr. GOLDMAN. No.

Mr. DILWEG. That is how the H. O. L. C. enters directly into your picture, isn't it? You, also, would have a board that fixes the price of the property?

Mr. GOLDMAN. That is right.

Mr. DILWEG. They assign to the respective district, through the real-estate operators, this particular piece of property, and it is sold through that medium. Isn't that correct?

Mr. GOLDMAN. That is right.

Mr. DILWEG. And the contract of purchase runs directly between the purchaser and the Government.

Mr. GOLDMAN. That is exactly right.

Mr. DILWEG. But the local real-estate agent gets his 5 percent, as is usually paid in the transaction.

Mr. GOLDMAN. That is right.

Mr. DILWEG. And that is what you are advocating here?

Mr. GOLDMAN. Exactly.

Mr. WOLCOTT. Mr. Chairman, there is apparently something on the floor that deserves our attention.

The CHAIRMAN. Have you concluded your testimony?

Mr. GOLDMAN. Yes; I have.

Mr. PATMAN. Mr. Chairman, we will resume tomorrow morning at 10:30?

The CHAIRMAN. We will resume tomorrow morning at 10:30.

(The committee thereupon adjourned until tomorrow, Friday, January 21, 1944, at 10:30 a. m.)

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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

FRIDAY, JANUARY 21, 1944

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Brent Spence (chairman), presiding.

The CHAIRMAN. The committee will be in order.

Mr. PATMAN. Before calling the witnesses, may I make just two or three comments for the record? One is about the testimony of Admiral Land concerning a bill to dispose of surplus property, in which he said:

> The facilities which are to be disposed of should be so handled that their disposition is consistent with proper policies related to the internal economics of the country and, hence, preferably by some one agency charged with the responsibility of carrying out such policy.

And Under Secretary of War Patterson testified before our Committee on Small Business of the House, October 21, 1943, among other things:

> It seems to me very clear indeed that the policies in any event must be directed and controlled by a central agency.

That was Mr. Patterson's statement and that is concerning the disposal of surplus property.

And Business Week for this week has a very interesting article entitled "What to do about surpluses? Post-war stock piles present big problem, but may not be the bugaboo they seem now. Two long-awaited reports, due shortly, should help clear up some of the uncertainties." And at the end of that very long two-page article about huge surpluses after this war, it winds up by saying:

> Experts agree that the only way to handle this delicate job is to centralize authority over surpluses in a single agency.

I bring this up for the purpose of showing that everyone seems to be in accord that there should be one central agency to deal with this problem.

Also, Mr. Chairman, I ask unanimous consent to insert in the record, at the end of Mr. Clucas' testimony yesterday, a letter which he wrote to me concerning this problem.

The CHAIRMAN. Without objection, it may be inserted.

(The following matter was submitted for the record by Mr. Patman:)

Admiral Land's letter to Mr. Patman of September 24, 1943:

There is transmitted herewith a statement setting forth some general principles and observations on the subject matter which may be useful in your consideration of the problems involved, particularly in view of the duties and functions of the

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Maritime Commission. These observations, however, are my own personal views and have not been placed before the Commission for their consideration.

Admiral Land's statement referred to above, styled "Comments re problems of disposition of Government-owned property no longer needed for war purposes," dated September 23, 1943, contains the following:

"The facilities which are to be disposed of should be so handled that their disposition is consistent with proper policies related to the internal economics of the country, and, hence, preferably by some one agency charged with the responsibility of carrying out such policy."

"If this be done, then the policy to be followed out by such an agency in disposing of the property should be governed in part by the obviously important consideration of obtaining for the Government as much recovery therefrom as can consistently be effected; in part also by the handling of property disposals in such manner as will not destroy the market of the domestic producers who are most apt to be seriously affected by the throwing upon the market of large quantities of surplus Government materials; in part, by consideration of whether practicable use may not be made of such surplus materials by individuals or corporations who might otherwise find it difficult to rehabilitate their business after the dislocations which have been caused by the war; and finally (and perhaps most importantly) by such provisions as will involve the least possible delay in enabling industry to resume peacetime activities and employment."

Under Secretary of War Patterson—Testimony before House Small Business Committee, Thursday, October 21, 1943:

"It seems to me very clear indeed that the policies in any event must be directed and controlled by a central agency. The only phase of the problem on which we have not yet arrived at definitive recommendations or conclusions has to do with the operating procedure under the general policies. That might also be by a central agency, or it is possible that it might be by the procurement agencies now charged with the property, the agency that has the contract with the producer where the property is located. As I say, that is a matter upon which my own mind is not yet clear, as, I said a moment ago, it must be under the direction of a common agency so that War, Navy, Defense Plant Corporation, Maritime Commission, and the Procurement Division, Treasury Department, follow the same general policies and principles."

Mr. PATMAN. Our first witness this morning is Mr. David R. Craig, president, American Retail Federation.

STATEMENT OF DAVID R. CRAIG, PRESIDENT, AMERICAN RETAIL FEDERATION, WASHINGTON, D. C.

Mr. CRAIG. My name is David R. Craig. I am president of the American Retail Federation.

The American Retail Federation is a federation of 30 State associations generally representative of all kinds of merchants within the States and, in addition, 18 large national retail associations. The national associations of the federation meet regularly as the Central Council of National Retail Associations under my chairmanship. One of the committees of our council is our committee on the disposal of Government surplus stocks, and the chairman of that committee is Mr. Rivers Peterson, of Indianapolis, managing director of the National Retail Hardware Association. On October 5, 1943, that committee, after careful study, arrived at a series of recommendations concerning the methods by which the Government agencies should be asked to dispose of their surpluses.

I should like to make this presentation in two parts.

First, I should like to present the outstanding features of our committee's report, and ask that the report itself be included in your record. Second, I should like to compare the basic principles of our program with the main feautres of the bill which you are now considering, H. R. 3873. You will see that with only one important exception, we are in general agreement with this bill.

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The committee which drafted and unanimously adopted our program was a truly representative committee of retailers. It consisted of delegates from the following associations:

American National Retail Jewelers Association.
Institute of Distribution.
Limited Price Variety Stores Association.
Mail Order Association of America.
National Association of Chain Drug Stores.
National Association of Retail Clothiers and Furnishers.
National Automobile Dealers Association.
National Council of Shoe Chains.
National Retail Dry Goods Association.
National Retail Farm Equipment Association.
National Retail Furniture Association.
National Retail Hardware Association.
National Shoe Retailers Association.
Cooperative Food Distributors of America.

Mr. PATMAN. Would you permit me to interrupt there to ask a question?

Mr. CRAIG. Yes, sir.

Mr. PATMAN. About how many different establishments would these associations represent? That is a very impressive list you have read off there.

Mr. CRAIG. There are some of our associations that are not in this list—food chains——

Mr. PATMAN. Did they endorse this, too?

Mr. CRAIG. As members of the Central Council, they endorsed it.

Mr. PATMAN. About how many different retail establishments in the country would they aggregate?

Mr. CRAIG. The aggregate, including State associations, would probably be more than half a million merchants.

Mr. PATMAN. More than half a million merchants?

Mr. CRAIG. Yes. We cannot tell how many of those merchants belong to more than one association. The best estimate we can make is more than half a million.

This report was subsequently presented to the Central Council of National Retail Associations and unanimously agreed to. Since then it has been the subject of a referendum by all the members of the American Retail Federation, including the 30 State associations, and has received their unanimous approval.

Our program for the orderly disposal of surplus Government stocks applies only to the kinds of merchandise and equipment which are normally sold by retail merchants to customers. It contains three major principles.

1. Central supervision: Regardless of the Government agency which purchased them and which holds them, the power to dispose of all surplus Government goods of whatever kind should be vested in a single agency. At that time our committee felt that the right agency was the Procurement Division of the Treasury Department. Since the committee's report was completed we have learned that the National Association of Retail Grocers believes that with respect to food items the proper agency is the War Food Administration. The spirit of our recommendation calls for the central supervision of policy. In order to prevent employees in charge of various warehouses and depots from offering and disposing of goods under their control by any methods which they may improvise independently, our program as

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that all invitations to bid and offers to sell should issue from the central supervisory agency.

2. Designations as "surplus goods": Before offering any Government surplus goods through any trade channels—whether manufacturing, wholesaling, or retailing—the central agency should allocate the surpluses in varying percentages according to known or estimated requirements into four categories, as follows:

(*a*) Goods to be retained for the future use of the armed forces or other Government agencies.

(*b*) Goods to be donated for the immediate or future use of the American Red Cross.

(*c*) Goods to be given or sold for use in the rehabilitation of war-torn populations.

(*d*) All other surplus goods, to be disposed of through established channels of trade in a fair and equitable manner which will offer the least possible deterrent to speedy full reemployment as industry reconverts from war production to the production of civilian goods.

Mr. PATMAN. May I suggest there, Mr. Chairman, that soil conservation is one of the most important things we are doing and a lot of this machinery could be used by the soil conservation districts in preserving and protecting our soils.

You know, there is a shortage of machinery right now for that purpose, and a large quantity of that machinery could be used for the purpose of assisting those soil conservation districts in protecting our soils.

Mr. CRAWFORD. Do not you think that would come under classification A, "Goods to be retained for the future use of the armed forces or other Government agencies"?

Mr. PATMAN. Possibly it would.

Mr. CRAWFORD. Was not that your intention?

Mr. CRAIG. We did not have particularly in mind that kind of machinery.

Mr. PATMAN. But it would fit into that, since there are other Government agencies that do have it.

Mr. CRAIG. It would normally fit in, I think, to category A.

Mr. FORD. It seems to me, in regard to food products, that the demand for huge quantities of those products on the other side to feed people who have been overrun and starved would almost inevitably reduce any surplus there was there to normal and permit the producers and manufacturers and processors of them to go ahead, because there is going to be an overwhelming demand for edible merchandise on the other side when this thing is over.

Mr. PATMAN. That will be a governmental agency, too, Mr. Ford, and would come under classification A.

Mr. FORD. Yes. And as far as the food processing and food producing agencies are concerned, I do not think we have much to fear from that. The thing that we are largely going to be concerned with is going to be durable goods produced in surplus and the orderly distribution of them back into regular channels so that there will not be a glut here and a shortage there. But I think your plan there is very commendable and has taken a great deal of thinking, and it is very logical because you are finally coming to a conclusion on this which will be of value.

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Mr. CRAIG. You will notice we wanted a central agency to make those allocations into four different categories.

Our committee took for granted that no goods would reach the surplus stage and be declared as ready for sale by the central supervisory agency until they had been certified as such by the Government agency which purchased and controlled them. This issue was not even mentioned in our committee's report.

3. Orderly disposal: Once designated as surplus, first by the Army, Navy, or other operating agent and then by the central supervisory agency, we ask that the goods be disposed of to the American public through the established channels of distribution. And we believe that orderly disposal can be accomplished by observing five basic rules, as follows:

(*a*) The quantities in which the goods are to be sold should be small enough so that the average retail merchant can bid on them. This means the specification of minimum quantities on which bids will be considered. If the products are packed in containers ready for reshipment, the minimum quantity should not be less than the amount in the container. If the goods are in single unit shipping cases or in bulk, the minimum quantity should not be so large as to exclude bids from the average retail establishment for one minimum unit. If any one of our recommendations is more important than another, this is it. Taken in conjunction with the next one, it practically assures that the Government's disposal of its surpluses will protect all kinds of merchants in the United States from the ravages of speculative invasion such as we experienced at the end of World War I.

(*b*) To the extent that the goods remain available, bids submitted should be accepted on the basis of the price offered, without regard to the quantity bid for so long as it is not less than the minimum specified. If a man bids the highest for a dozen wrenches, and if a dozen wrenches is the minimum specified, he should receive the first allotment of wrenches under our program.

This plan differs radically from the plan currently in vogue in the Treasury Procurement Division. That organization last November, for example, sold something like 32,000 yards of assorted fabrics left over from the National Youth Administration program. Its schedule enumerated a wide variety of textiles from batiste to whipcord and from broadcloth through bunting, denim, gingham, nainsook, and poplin to twill, and at the bottom of the schedule was the place for the bid on the "total for lot No. 1." The buyer had to take the whole lot or he got none at all. We believe that is the wrong way for the Government to dispose of its surpluses, because it eliminates the average retailer, who cannot possibly be interested in 32,000 yards of any fabric at all.

Mr. CRAWFORD. Just permit me to say right there that that was the situation which governed in connection with those solicitations for bids which were referred to in the record yesterday, pertaining to plumbers' supplies. The same situation governed; the bid that was asked for was for the whole lot.

Mr. CRAIG. Was that the same agency, sir?

Mr. CRAWFORD. Oh, yes—the Procurement Agency.

Mr. CRAIG. We believe that in order to obtain the widest possible dissemination of bidding schedules, lists of Government surplus goods should be announced in the Federal Register toge

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with the announcement that descriptive lists may be obtained from the central surpervisory agency. We ask also that the central supervisory agency should be required to mail descriptive announcements to the national retail trade associations at the time of filing with the Federal Register.

We ask that plenty of time, at least 45 days, should elapse between the announcement and the opening of bids.

Mr. PATMAN. Of course you would have exceptions there, I presume, Dr. Craig, in the event of perishable goods?

Mr. CRAIG. Yes; you would have to.

(*e*) Finally, we ask that in order to protect consumers from fraud, the Congress should prohibit any purchaser of Government surplus goods from offering them for sale to the public from any establishment which by reason of its name (such as Army and Navy Store) implies that its prime activity is that of selling Government surplus goods. Moreover, all such goods should be required to be designated as "new Government surplus" or "used Government surplus" in any advertising in which the purchasing establishment engages. This will protect the retail industry from the fraudulent fire sales and going-out-of-business sales with which we had to compete following the last war.

These are our principal recommendations. We feel you should know the five main objectives which these recommendations, if you adopt them, would surely establish. They are:

1. The Government would obtain the largest possible return from the disposal of its surpluses.

2. Government surpluses would be dispersed widely through the maximum number of establishments and would be quickly absorbed at the consumer level. The plan would get them speedily out of the way and would not let Government surpluses interfere with immediate production and the full employment of labor.

3. The acquisition of large quantities of Government surpluses by speculators would be prevented. When merchants know that speculative quantities are being held over their heads in the competitive market, they hesitate to buy their normal requirements from their usual sources at regular market prices, and their hesitation cannot help retarding a rapid and successful reconversion to civilian production when the time comes.

4. The opening of new retail establishments, pretending to specialize in the sale of Government surpluses, will be discouraged. Establishments like this in the past have mixed their Government surplus stocks with stocks from other sources without differentiation and the public has been deceived on many occasions.

5. The largest possible number of established retail concerns will obtain the privilege of bidding on Government surpluses at prices at which they are certain to be sold, so that the public, through responsible distribution channels, will obtain the maximum possible amounts of available surplus consumer goods.

We ask that these considerations guide your committee in whatever legislation may be enacted by the Congress to control the distribution of Government surplus stocks.

I have attached to this report the full report of our committee on the disposal of Government surplus stocks.

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I turn now to the comparison of these recommendations with the provisions of H. R. 3873. The comparison can be short and simple.

As to our first principle, central supervision, we find ourselves in agreement with the bill. The bill designates a Surplus Property Board, under the Reconstruction Finance Corporation. This satisfies our principle of a single agency since what we really want is central supervision that will prevent every isolated depot manager from making up his own rules.

As to our second principle, the designation of surpluses, we agree with the bill as it has been explained to this committee by Congressman Patman, its author. For instance, we agree that only Secretary Stimson and General Marshall can say when any Army commodity is in surplus and ready to be disposed of. We had a few details of our own, to permit other Government agencies, or the Red Cross, or Lend-Lease, or U. N. R. R. A., to claim necessary merchandise before it is released to American civilians. With this minor exception, which would probably be accounted for in any event by the Surplus Property Board established by the bill, we approve the bill.

As to the orderly disposal of Government surplus stocks, we agree with the provisions of the bill with only one exception. But that is a major exception.

The bill provides in section 205 (c) (3) that "the prices at which any particular property or class of property is sold or leased should be uniform."

This sentence seems inconsistent with section 205 (d), which prescribes that the regulations of the Surplus Property Board shall require advertising for competitive bids except in cases in which competitive bids would be contrary to the public interest.

Our program takes competitive bidding for granted. We do not understand how the Government can obtain the maximum return for its surpluses in any other way. More than that, we do not understand how the surpluses would be allocated between prospective purchasers unless price becomes the major method of allocation.

Unless surplus items are allocated to purchasers on the basis of competitive bidding, presumably the allocation would have to be made on a first-come-first-served basis, or else by drawing lots. We believe competitive bidding is better than either of those methods.

One method of correcting the bill would be simply to eliminate section 205 (c) (3).

With this amendment I believe the bill conforms in general to our program and would receive the support of retail merchants.

I should like to make an additional point that was not discussed by our committee. What is needed is prompt action. The disposal of surplus goods is not an issue which can wait for settlement until after Tokyo falls. The armed forces are already disposing of some supplies which have been declared either surplus or obsolete, and in the absence of a declaration of policy, and the establishment of an agency to make the policy effective, the trend of these disposals is disorderly. Action now would tend not only to clarify the situation but also speed up the disposal of surpluses which already exist. At the present time civilian markets are starved for many essential goods. The larger the quantity of surplus goods which remains outstanding, the more hesitation retailers will have in placing the

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orders for new goods when reconversion to civilian production is ready to start. Thus, an early decision may save us a great deal of unnecessary unemployment. It is of real importance to release as much as possible in the immediate future, so that the goods can reach consumer hands and be out of the way of new production.

(The following was submitted for the record by Mr. Craig:)

A PROGRAM FOR THE ORDERLY DISPOSAL AND DISPOSITION OF SURPLUS GOVERNMENT STOCKS

Prepared and presented by the Central Council of National Retail Associations (affiliate of the American Retail Federation) through its committee on disposal of surplus Government stocks

At a meeting in New York City on October 5, this committee (representing 18 national retail associations covering the country's retail field) after considerable preliminary study presents the following program as its unanimous recommendation for the handling of the problem of distributing surplus United States Government stocks, both currently and after the war:

1. These recommendations apply only to those types and kinds of merchandise and equipment which are normally sold through retail establishments to consumers.

2. The power to dispose of all surplus Government goods of whatever kind, regardless of which governmental agency purchased and holds them (such as Army, Navy, Reconstruction Finance Corporation, Lend-Lease, etc.) shall be vested in the Procurement Division of the United States Treasury.

3. All offers to sell, invitations to bid, etc., shall be issued from the Treasury Department in Washington and all offers and orders for shipment to a buyer shall be handled from that central office in contrast to the policy of permitting employees in charge of various warehouses, depots, etc., to undertake to offer and dispose of the merchandise under their direct individual supervision.

4. To assist in preparing inventories, lists of offers, and other duties connected with the disposal of such merchandise, the Procurement Division shall employ a a staff of assistants who are familiar through actual experience with the kinds of goods to be sold and the general trade practices of the types of distributors who handle them.

5. In compiling inventories and lists of accumulated surpluses there shall be a clear distinction, by using separate lists and by informative headings, between products which have been unused and those which by reason of use, damage, or deterioration, cannot be offered by the Government, or purchasers from the Government, as "new." All "used" property shall also be classified in respect of degree of serviceability as serviceable and unserviceable. Serviceable property is property which is suitable for use in its existing condition. Unserviceable property is property which is unsuitable for use in its existing condition. Unserviceable property shall be divided into repairable property and nonrepairable property: (1) Repairable property is unserviceable property which can in the best interests of the Government be mended or restored to serviceability; (2) nonrepairable property is unserviceable property which cannot in the best interests of the Government be mended or restored to serviceability. Nonrepairable property includes, but is not limited to, obsolete property. All serviceable property shall be classified in respect of state of supply as authorized, excess and surplus: (1) Authorized is the maximum stock level authorized for a particular organization, supply point, or technical service, and the amount for which there is an immediate or definitely foreseeable need for use in the function, activity, project, or industrial operation in connection with which the property was acquired or accrued; (2) excess is any amount above the authorized amount; (3) surplus is an amount declared by competent authority to be, or deemed to be, above the amount for which there is an immediate or definitely foreseeable need for use in the War, Navy, or other department or bureau.

6. For the protection of consumers against deception and exploitation, there shall be a definite prohibition against any purchaser of such goods offering them to the consuming public from any establishment which by reason of its name (such as "Army and Navy Store") or other designation or representation implies that its prime activity is that of disposing of Army or Navy, or other Government surplus goods. For the further protection of consumers against deception or exploitation and to prevent unfair competition, all Army, Navy, or any other United States

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Government surplus merchandise offered for sale to consumers or other purchasers shall be designated as "new Government surplus" or "used Government surplus," and such designation shall appear in all advertising, including placards, price tickets, and other display advertising within the establishment offering such merchandise for sale.

7. Allocation or disposal of available surplus products shall begin as soon as permissive legislation is enacted and a proper staff of assistants has been employed—instead of waiting until the war has ended.

8. Preliminary to offering any such products through trade channels at any level (manufacturer, wholesaler, retailer, others), the Procurement Division shall allocate the surplus supplies, in varying percentages according to known or estimated requirements, into the following groups:

(*a*) To be retained for future use of the armed forces or other governmental agencies.

(*b*) To be donated immediately, or held for future use of the American Red Cross in any of its activities throughout the world.

(*c*) To be given, or sold for use in the rehabilitation of the suffering peoples of the war-torn nations.

(*d*) The remainder to be disposed of through established channels of trade in a fair and equitable manner which will offer the least possible deterrent to speedy full reemployment of labor as industry converts from war to peace activities.

9. With respect to (*a*), (*b*), and (*c*) in paragraph 8, particular attention shall be given to surplus supplies which have been used but which are still serviceable with the definite objective of reducing to a minimum the "second-hand" products which will be sold under section (*d*), paragraph 8.

NOTE.—The remainder of these proposals are directed entirely to disposal of products under section (*d*) of paragraph 8.

10. Dispose of all products in section (*d*) of paragraph 8 in accordance with the following plan:

The lists prepared by the Disposal Section will in all instances—

(i) Indicate whether or not the products are new or used, serviceable or unserviceable.

(ii) Give location of the warehouse or depot from which shipment will be made.

(iii) Be sufficiently descriptive, through use of the maker's name, product size, or number, or both, or by other means, to enable the prospective buyer to determine the nature and ordinary market value of the product without personal inspection of it.

(iv) Show quantity in the shipping container as it is warehoused, i. e., single item, dozen, hundred, gross, etc., or, if held in bulk, so specify.

(v) Show total quantity of a given product offered from that particular location.

(vi) Specify the minimum quantity of the item on which a bid will be considered. (In the case of products packed in shipping containers ready for reshipment, such minimum quantity should not be less than the amount in such shipping container. In the case of products in single unit shipping cases or cartons, or in bulk, the minimum quantity should not be so large as to preclude the possibility of the average retail establishment submitting a bid for, at least, one minimum unit.)

11. Give the widest possible dissemination to such prepared lists, including a condensed statement in the Federal Register that bids are to be received and that a descriptive list may be obtained upon application for same to the Procurement Division in Washington. Upon written application of any national trade association, such association shall be supplied, as issued, with all lists of items normally distributed by that particular trade. Such lists shall be mailed to the headquarters of such national trade association at the time of filing with the Federal Register.

12. Establish a minimum waiting period of 45 days from date of publication in the Federal Register of the information that the bids are to be received and the acceptance of such bids as may be submitted.

13. Accept bids which are submitted, to the extent that the products remain available, on the basis of the price offered; the highest bidder receiving the first allotment, and so through the list of bidders, and without regards to the quantity bid for so long as it is not less than the minimum specified.

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Mr. CRAWFORD. I would like to ask some questions. Dr. Craig, referring to your statement on page 2, down toward the bottom, the last sentence, where you say—

in order to prevent employees in charge of the various warehouses and depots offering and disposing of goods under their control by any method which they may improvise independently—

that is about the procedure followed at the present time, is it not within certain limitations?

Mr. CRAIG. Within certain limitations; yes, sir.

Mr. CRAWFORD. In other words, they conform to the law, but there is great leeway for them to do almost this very thing.

Mr. CRAIG. Yes.

Mr. CRAWFORD. Now on page 4, subparagraph (*c*) right at the bottom: We have had some testimony here to the effect that the Government agency disposing of this surplus material should send these solicitations to individual dealers. If I understand you correctly, you would not ask the disposal agency to circularize your four or five hundred thousand members, but you would prefer to have the national retail trade associations notified? Is that correct?

Mr. CRAIG. We have no objection to the notifications being sent to individual dealers. We are simply trying to speed up the process and make sure that all dealers get the notice. And we believe we can do that most quickly and effectively through the national retail associations.

Mr. CRAWFORD. You could probably do it more effectively and with less delay and, at the same time, make unnecessary maintaining such an enormous mailing department in the offices of the disposal board, if that would be satisfactory to your members?

Mr. CRAIG. I am quite sure it would.

Mr. CRAWFORD. You mean to say it would be quite acceptable to your members for them to notify the national retail trade associations?

Mr. CRAIG. That is right.

Mr. CRAWFORD. On page 5, subparagraph (*e*): Is it not a fact that following World War I, and I think all the time since then, we have had more or less dealers in business in this country whose advertising and general front, you might express it, was such as to lead people to believe that the business carried on through that store was primarily the disposal of goods previously purchased and owned by the Government, for Government purposes; but, when you go to those stores and carefully go through the stock, you find, in some instances, an overwhelming preponderance of the inventory covers material which the Government never had anything to do with?

Mr. CRAIG. That is right.

Mr. CRAWFORD. And in many cases you find shoddy material and cheap material as to quality, and price, also?

Mr. CRAIG. That is right.

Mr. CRAWFORD. That is the thing you are trying to avoid so that that type of operation will not dominate in the disposal of these goods?

Mr. CRAIG. That is right.

Mr. CRAWFORD. That is what you have reference to there?

Mr. CRAIG. Yes, sir.

Mr. CRAWFORD. That is all I have.

Mr. GIFFORD. You say the most important of your recommendations is to see that the Government offers this stuff for sale so that

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the trade can buy in small quantities and your criticism of the Procurement Division is its selling in such large quantities. What reason does the Procurement Agency give for that method?

Mr. CRAIG. The Procurement Agency gives us no reason particularly. We have not asked them why they sell in large quantities.

Mr. GIFFORD. Has no protest been made to them about that method by your organization?

Mr. CRAIG. No, sir; not formally. Our protest has been made here.

Mr. GIFFORD. I am wondering. You say a dozen wrenches, possibly in one box, should be offered. Would they be likely to tell you there would be such a flood of bids for small quantities that it would be impracticable?

Mr. CRAIG. I have no idea what they would say, sir.

Mr. GIFFORD. Well they must have a reason for doing that, and you cannot imagine their reason, you say?

Mr. FORD. I can imagine one. They want to get rid of it right away and get through with it.

Mr. GIFFORD. I wonder if there could be any instruction procedure so that they have to do that? You have no particular reason for favoring one instrumentality rather than another, as long as it is a central agency?

Mr. CRAIG. That is right.

Mr. GIFFORD. You have not in mind, then, any special preference for R. F. C. to handle this matter?

Mr. CRAIG. No, sir; we will be happy to leave that to the Congress. We simply insist that there be a central, single agency.

Mr. GIFFORD. Can you understand that the Congress might look with a little bit of worry about turning this over to a separate agency not controlled very largely by the Government itself, where they can borrow and loan money to trades people to purchase? Is that a good thing in your mind? The R. F. C. can place the Government guarantee on obligations to a tremendous amount and they could use that money as they see fit, without coming to the Congress. Do you think that is a wise thing for the Congress to place this matter in the hands of an agency that could loan them money?

Mr. CRAIG. As I said, the wisdom of such a decision would be up to the Congress.

Mr. GIFFORD. Congress has been gradually losing so much of its power of control that a contingent debt is being piled up here without our control and even without our knowledge, and I am a little watchful, for one, about that sort of thing.

You have no particular fault to find with the Procurement Agency if they had not been appealed to by you and you have had no refusal to change their methods? Could not Congress outline a plan such as you suggest—I like your five points, and could not we pass a law that it should be done in that manner, and let it go at that?

Mr. CRAIG. You mean without designating any central agency at all?

Mr. GIFFORD. Oh, we have one; the Procurement Division is a central agency.

Mr. CRAIG. If the Congress will establish the rules by which the Treasury Procurement Division would handle this matter, I am sure we would have no objection to that.

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Mr. GIFFORD. That is exactly what I want, and I wondered if you would be willing to say that.

Mr. CRAIG. We are not particular about what agency it is, just so there is one that can make your policy effective.

Mr. GIFFORD. What I have inquired about is where the suggestion came from to designate the R. F. C. All the answer I get is that "They have made a good record in the past and, therefore, because they have made a good record, they ought to be the one." But I rather think there is something more than that.

There are several questions here that I might ask you, but I am all for the tradesmen having a preference to dispose of this surplus. Do not misunderstand me. I would not care if this surplus was held back over a period of years before it was put on the market; I am all for that.

Mr. PATMAN. All right; how many years would you want?

Mr. GIFFORD. Oh, I will give you as many years as you want, as far as I am concerned.

Mr. PATMAN. Well, just set a definite number.

Mr. GIFFORD. I can even suggest that. I do not want to disturb you; I want to protect the tradespeople very much; but when you have a central agency that might be arbitrary and might be awfully slow because they have not heard from all these people who have surpluses and want to find out how much surplus there is in the Army and Navy of this character and of that character, and then you have a tremendous number of bids coming in for small quantities, I do not want to build up a monstrosity, and, if we can outline the methods by which surplus property can be disposed of and let all agencies follow that instruction, that is what I think would be the proper way to do it. Do you get my point?

Mr. CRAIG. Yes.

Mr. GIFFORD. But I do not want Congress to give any more power to agencies like O. P. A. and others that have caused us a lot of trouble.

Mr. PATMAN. Mr. Gifford, has not Congress been very discreet and cautious in placing in the laws all along a definite time limit so as to cut them off after a certain period, in all of these major laws like the one setting up O. P. A., which expires June 30, and this committee will shortly take up the O. P. A. bill and determine upon whether they will extend it, or not, and, if so, under what conditions and restrictions? And in every major law we have passed, we have had some time limitation on it.

Mr. GIFFORD. I know, but it has set up so many organizations which it cannot get rid of, and we have to review them constantly. For instance, F. H. A. was set up to take over distress mortgages and then they began to build up, and now we have so many on hand that we have to continue it in order to maintain a stable market. And I want to make this remark, after many years, that my experience shows the nearest thing to immortality is a Government bureau. [Laughter.]

Mr. FORD. Dr. Craig, have you ever looked into the broad authority of the Federal Trade Commission? They watch what they call "misrepresentation" in labeling and a lot of other things, and I wonder if their authority goes so far as to prevent a concern advertising as an Army and Navy store, when it is not an Army and Navy store?

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We are coming now into a period when there will be hundreds of millions of dollars' worth of goods to be disposed of and somebody will call themselves the "Federal Surplus Store" and all that. Have you ever looked into their authority to find out whether or not they have any authority to stop that kind of use of names which would indicate to the public it was a semipublic agency?

Mr. CRAIG. Yes, I have. I believe they have authority and I also believe they have exercised it in a number of cases; although I am sorry I cannot give you any specific examples.

Mr. FORD. Well Army and Navy stores are still running.

Mr. PATMAN. Mr. Ford, if you carry that to its logical end, what about the First National Bank? The Nation does not own any bank, and what about the national bank in your section?

Mr. FORD. The Bank of America would not be recognized, however, as a Federal institution.

Mr. PATMAN. What about the Federal Savings and Loan?

Mr. FORD. That is another one.

Mr. PATMAN. Well, if you go into that, they would have to stop them all.

Mr. FORD. I am not suggesting that, but if you are going into business and say you are an "Army and Navy store," a lot of people who are not thoroughly familiar with things take it for granted that they are buying from the Army and Navy. And I heard some fellows talking the other day who said it would be a good thing to organize a Federal surplus trade organization. The natural conclusion of the average person would be that he was dealing with the United States Government, and I think the Federal Trade Commission ought to be put on notice that they ought to watch for things of that kind and stop it.

Mr. CRAIG. Of course, I do not need to tell you, sir, that the authority of the Federal Trade Commission extends only to businesses which are engaged in interstate commerce, and retailing is primarily a local business and not interstate commerce.

Mr. FORD. Are not these army and navy stores chains?

Mr. CRAIG. They may be.

Mr. FORD. I understand they were. I may be wrong; but I understood they were chains. And these fellows I heard talking the other day had in mind a Federal surplus trading company that would run from New York to California, and I think the Federal Trade Commission ought to be put on notice of that and, where that happens, they ought to stop it instantly. Because here is a grand opportunity to use that sort of a name and give people the impression that they are buying direct from the United States Government.

Mr. GIFFORD. You say their field is limited to interstate commerce. Well, I am in the coal business and I sell coal to a manufacturing plant that processes goods that go into interstate commerce: Am I in interstate commerce?

Mr. CRAIG. Well, sir, I am not a lawyer.

Mr. WOLCOTT. I can answer that. You were not until the Supreme Court reversed a whole long line of decisions to the contrary within the last year.

Mr. GIFFORD. Yes; but only 2 weeks ago my people have been notified they are in interstate commerce.

Mr. PATMAN. Retailers or wholesalers?

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Mr. GIFFORD. Wholesalers as well as retailers. My question is they call themselves retailers, but when 25 percent or more of their product goes into those manufacturing plants, it is a lovely situation. They have to go back and come under the wage and hour law, because it has now been determined they are in interstate commerce—my coal dealers. Therefore a clerk in the office that does business with coal, that portion of it, for about an hour a month, and the night watchman, can get several hundred dollars more under the wages-and-hours law, and it is impossible to determine the difference, and that coal that goes to those buildings has now been declared interstate commerce, recently, in spite of the rule.

Mr. WOLCOTT. No; not in spite of it, but under the last decision of the United States Supreme Court.

I debated this question on the radio about a year ago with the Assistant Secretary of the Treasury and at that time I had a long list of opinions defining interstate commerce. And even an automobile which was made in Detroit, while that concern had orders for interstate shipments, was not declared to be in interstate trade and that automobile was not in interstate commerce until it had actually been consigned to a point outside of the State. So the automobile concern, the manufacturing concern, was not in interstate commerce at that time. But the Supreme Court, since then, has said otherwise. And, if you will remember, I was kidded on the floor when the Supreme Court reversed all that I ever knew about interstate and foreign commerce. That is how I happen to remember it. At the present time, generally speaking, the Supreme Court has said that anything which affects interstate commerce comes within the commerce clause of the Constitution. So when a dealer sells coal to an industry which is manufacturing goods which will later go into interstate commerce, that is something which affects interstate commerce and I presume comes within the interpretation of interstate commerce by the Supreme Court. I do not want to dispute with the Supreme Court now on that matter, but it seems to me to be a pretty far-fetched decision.

Mr. SMITH. Since the Wheat decision, it was not interstate commerce.

Mr. WOLCOTT. But I cannot imagine anything, under the last Supreme Court decision, which would not be considered as being in interstate commerce. And I think the decision was made in some degree with the thought that they were contributing to the philosophy that all business and finance and industry should be regimented under a central Federal Government agency.

And that is the dispute in the Supreme Court at the present time between Justice Frankfurter, who espouses that theory, as I understand it, and Justices Black and Murphy, who are on the opposite side, and which came out in the open here a few weeks ago. I understand that is the dispute in the Supreme Court at the present time.

Mr. CRAWFORD. This is a question I would like to submit to the committee. Is the committee in agreement to the effect that more than one Government agency is now disposing of surplus material? Is that our understanding?

The CHAIRMAN. Is what?

Mr. CRAWFORD. Is the committee in agreement that more than one Federal agency is now disposing of surplus material?

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Mr. PATMAN. Well, we have some outstanding examples. You take the Air Corps, they disposed of a lot of surplus material down in our district, put out a very expensive catalog showing illustrations, even better than a Sears, Roebuck or Montgomery Ward catalog. Then the Procurement Division of the Treasury has been doing the same thing, and I think other agencies have been disposing of surplus supplies, have they not?

Mr. CRAIG. I believe they have.

Mr. CRAWFORD. Was it not testified here yesterday by someone that the Army submitted an offer on certain types of machinery which was dissimilar to the type of machinery the person had submitted the bid for? Was not that in yesterday's testimony?

Mr. PATMAN. Yes, sir; and testimony has been brought to us here about where machine tools, for instance, were not properly described, and one man bought a machine tool for $450 that was really worth $9,000.

Mr. CRAWFORD. The reason I bring that quetion up is to get established before this committee, if it is a fact, the fact that more than one agency is now disposing of surplus goods and I want to ask Dr. Craig if that is his understanding, that the disposition is not at present centralized in one agency?

Mr. CRAIG. That is the way we understand it.

Mr. CRAWFORD. I think our record will show that conclusively.

Another question I want to ask you, which I forgot awhile ago, is have you had an opportunity to read the address of Speaker Sam Rayburn which was delivered in Chicago yesterday?

Mr. CRAIG. No, sir; I have not.

Mr. CRAWFORD. I hoped you had read that, because I wanted to ask you if, in your opinion, this effort on the part of your association which took place as far back as October 5, 1943—and certainly at that time you did not have in mind the Patman bill as such, and I understand from your testimony that as far back as October 5, 1943, your committee, after careful study, arrived at the recommendations which you submit here this morning.

Mr. CRAIG. That is right.

Mr. CRAWFORD. So your recommendations, then, are not submitted and were not created in response to the Patman bill?

Mr. CRAIG. No, sir.

Mr. CRAWFORD. Going back to the Sam Rayburn proposition, it seems to me, based on the way the country accepted his statement yesterday, that he has issued a timely warning to the American enterprise system to put its house in order, along with the assistance of Congress. And I think in that statement he made the promise, also, that he was going soon to create a committee to work with industry, as I understand the situation, so that American industry, along with the assistance of Congress, could put its house in order or be prepared to take the consequences that would flow from the "man on the horse."

Mr. GIFFORD. It was stated in the paper this morning that was a Vice Presidential bid.

Mr. CRAWFORD. I know the paper said that, but I disagree with the paper, because I do not look on that kind of a statement as being a bid for the position as Vice President of the United States.

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Mr. GIFFORD. Well that is what the press said.

Mr. CRAWFORD. Insofar as my remarks now go, I think it was a timely warning and I think it is time for the spokesman for the American enterprise system to come before the committees of this Congress, during the coming 6 months, and either get action from the Congress with respect to straightening out these things, or turn this country upside down. And I certainly compliment the Speaker of the House for having made that observation in Chicago.

Mr. FORD. Charlie [Mr. Gifford], I suppose the statement the Speaker made on the floor of the House some weeks ago in which he asked for unity—I suppose that was a bid, too. As a matter of fact, it was a very statesmanlike presentation of the situation that existed. He goes from the political angle of it into the business angle, and his statement yesterday logically follows his statement on the floor of the House.

Mr. GIFFORD. I agree with him, and I agree with you, also.

Mr. FORD. I suppose, Charlie [Mr. Gifford], if you and I agreed the world would turn upside down.

Mr. SMITH. Mr. Crawford, you do not exactly mean that business, private industry, has sinned any more than what we call government?

Mr. CRAWFORD. Oh, no. That is the reason I tied the two together, and I am sure that is the reason why Speaker Rayburn made that statement, because it was not a one-sided proposition that he submitted yesterday. And if the owners, managers, and investors in private enterprise have not the guts to come before committees of Congress and lay their proposition down in understandable language, what right have they to expect the preservation of the private enterprise system? And I have just run up against many of them that did not have the guts to come down here and tell us what they thought. Dr. Craig is putting their proposition down in some pretty understandable language this morning and I congratulate him for coming here and saying this today.

But he is dealing only with one subject, that is, the disposition of these surplus goods, and he is saying how he wants it done. He has prayed his prayer to this committee; he is looking to us. And what I want, when this O. P. A. proposition comes up before this committee, is I want the other branches to come, including this same group—to come here and tell us some more understandable things, so that we will have the benefit of their suggestions. And after they speak to us, then if we fail, the blood will be on our hands as Congress and not on the hands of the fellows who own, operate, and manage the enterprise system upon which we depend for employment and production to remove the fear of want and to maintain the revenues of this Government.

Mr. GIFFORD. They have the guts; they have the judgment; but they do not dare come.

Mr. CRAWFORD. I know a lot that don't.

Mr. GIFFORD. A bank would no more dare come before this committee and complain——

Mr. PATMAN. Why should not they come down and complain; tell me one reason?

Mr. GIFFORD. Because the punishment would be so severe. We have not had a banker come before us for years but what was punished.

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Mr. PATMAN. Oh, yes; we have had some bankers.

Mr. FORD. And we will have some bankers before us next week.

Mr. PATMAN. Certainly. And I do not think that is a fair statement, to say they are afraid to come. There is nothing to be afraid of.

Mr. GIFFORD. Of course, they are afraid to come.

Mr. SMITH. In other words, Mr. Crawford, what you mean is that you would like to see business come here before Congress and ask us to use judgment and sense in our conduct here in Washington?

Mr. CRAWFORD. Certainly, come and say some of the things before the committee which they say privately, in their clubs, and so forth. I do not know anything to keep them from coming.

Mr. GIFFORD. You remember when Walter Spears came before this committee and this committee insulted him so that he never came back.

Mr. CRAWFORD. Well we all get insulted, but our skins have to be thick enough to take it. I do not think a man should refuse to come here just because he got insulted. [Laughter.]

The CHAIRMAN. Have you concluded your statement, Dr. Craig?

Mr. CRAIG. Yes, sir.

The CHAIRMAN. We thank you for your views.

Mr. PATMAN. The next witness is Mr. Winthrop.

Mr. PATMAN. Mr. Chairman, maybe Mr. Craig would like to place in the record, at the end of his statement, the recommendations of his committee.

Would you like to do that, Mr. Craig?

Mr. CRAIG. Yes, sir.

Mr. PATMAN. I ask that privilege, Mr. Chairman.

The CHAIRMAN. Without objection, that may be done.

Mr. CRAWFORD. Mr. Chairman, may I make another request here? Mr. Patman made a very brief statement at the opening of the meeting this morning when there were only two or three of us here. It was so important that I wonder if he would repeat that statement very briefly, leaving it off the record, so that the other members of the committee would have the benefit of it.

Mr. PATMAN. In what respect? About a central agency?

Mr. CRAWFORD. Yes.

The CHAIRMAN. It is already in the record?

Mr. CRAWFORD. Yes; so that it need not be taken.

Mr. PATMAN. Yes. This is off the record, Mr. Stenographer.

(The statement was repeated, off the record.)

The CHAIRMAN. Have you finished your statement?

Mr. PATMAN. Yes, sir. Mr. Northup is next.

STATEMENT OF H. R. NORTHUP, SECRETARY-MANAGER, NATIONAL RETAIL LUMBER DEALERS ASSOCIATION, WASHINGTON, D. C.

The CHAIRMAN. You may proceed.

Mr. NORTHUP. Mr. Chairman and gentlemen, my name is H. R. Northup; I am secretary-manager of the National Retail Lumber Dealers Association. I have no prepared statement for the committee, but I would like to comment on this bill, H. R. 3873, and express the viewpoint of our industry.

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The National Retail Lumber Dealers Association is a federated association made up of some 32 States and regional associations of retail lumber and building-material dealers in this country. There are some 20,000 of those operators. At the meeting of the Board of Directors of our National association in Chicago this October, early in the month, our board of directors, recognizing what we as an industry had been up against after the last war in the matter of disposal of surplus property, very definitely went on record that the retail lumber industry should express a viewpoint in Washington and to Congress at the appropriate time, that insofar as the disposal of surplus or used lumber, building materials, and articles of that nature handled by the retail lumber industry, we should urge upon Congress three things, if you please:

First, that these materials should be disposed of through established trade channels. You have heard that many times in the past week.

Secondly, that the purchase of these materials for speculative purposes be discouraged in every way possible.

And, thirdly, that in the disposal of these materials, to the extent possible, Congress should make it possible for us to buy in retail quantities.

I am not prepared here to comment on all phases of every paragraph of this bill of Mr. Patman, but I would like to comment particularly on certain phases of it, because I know they are in accord with the thinking of our industry, and I think I should register that with you gentlemen.

First, we are very much in accord with the idea of the setting up of a surplus property policy board. You can understand the reasons why we like that, because there is industry representation on that board, and we think a better job can be done after conferring with the proper industry representatives.

Second, we certainly endorse the principle set forth in section 205, which requires that the corporation shall appoint advisory committees for each class of property that is to be disposed of. We think that is quite important.

I think that I can say positively that our industry would like to see centralized control of the disposal of these materials. We would like to see it as set up in this bill. But I might give you, if you will permit me, a little bit of a picture of what the retail lumber distributor and the building-material distributor of this country is up against today.

We are doing a valiant job in trying to service war industries, in trying to get enough building materials to do the job that must be done on the farms of this United States. If we are going to have food, we have to have buildings and we have to have the materials to build those buildings.

From time to time, a little bit of lumber here, a little bit of some other material there, is being disposed of today. I don't have to tell you gentlemen that lumber is a critical material.

Mr. PATMAN. By the same agency, or by different agencies?

Mr. NORTHUP. The reports I get, Mr. Patman, are that they are coming from different agencies—very definitely so. We, therefore, are particularly enthusiastic about this legislation, because it proposes to give us an opportunity to channel those materials, when they are

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disposed of, into the trade that knows where the need is, the trade which is struggling valiantly to fulfill that need and do the job the Government is asking it to do.

I might point out to you, in just one aspect, the position of the retail industry today, in lumber. Inventories in the retail yards, which serve the civilians, the war contractors, and the farmers of this country, are now 62 percent below what they were in January 1942. In other words, we just don't have the material, and what we do have is not in usable sizes.

We think it is most important that in the disposal of lumber and building materials, wherever they may exist in excess today, that those materials be channelled through the trade which, as I have said before, knows where the demand is, knows where the need is—and that we are not exposed to off-the-record, haphazard disposition, such as by radio programs locally, or by advertisement locally, that gives everybody but the established channel of trade an opportunity to bid on these materials.

I have listened, Mr. Chairman, with a great deal of interest to Dr. Craig's proposal, and I certainly compliment him on it. I would like to compliment you gentlemen for your comments on it, and to say our industry would certainly go along with his recommendations.

That is all I have.

The CHAIRMAN. Are there any questions?

Mr. WOLCOTT. Your great problem is going to be with respect to the surplus of Government-owned lumber when, after the war, we start demolishing the camps, and so forth, is it not?

Mr. NORTHUP. Yes, and it will be a case of second-hand lumber in most instances, Mr. Wolcott, and perhaps, too, as in some instances even today, it will be a case of lumber that has not been used at all. We are very anxious to channel that through a central agency, and into the regular channels of trade.

Mr. WOLCOTT. Are there any figures on the size or value of any stockpile of new lumber the Government has?

Mr. NORTHUP. I am not familiar with them. I know there are certain stock piles the central procurement agency has built up, which they think are required; but I am not familiar with their extent.

Mr. CRAWFORD. Yesterday morning, Mr. Northup I was in a furniture manufacturing plant not very far from this building and I noticed the upholsterers and mechanics were building these large, heavy, living-room chairs out of ordinary scrap lumber. I asked them if they had any trouble in getting lumber for that kind of an operation, and they said they did, and they even went so far as to indicate they solicit what you might term high-class junk dealers for scraps of lumber picked up here and there, which they purchase from those dealers, take into their shop, and use—very scrappy material—for the purpose of building these living-room chairs. That would seem to support your statement to the effect that stocks are reduced something like 60 or 62 percent below normal.

When you go out in the towns of the country with populations of from 25,000 to 50,000 to 75,000, are those people having considerable difficulty in getting second-grade materials in ordinary dimensions at the present time?

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Mr. NORTHUP. Yes. There is very little lumber available, sir, for the ordinary home maintenance and repair work of the type to which I think you have reference. It just is not in existence today, and the necessary work is not being done. That doubles our anxiety to see that any lumber that is available coming out of the war activities, goes for such purposes and is not used speculatively or for purposes which are not important.

Mr. CRAWFORD. Have you any idea what percentage of the total mill run is now being taken by the Government?

Mr. NORTHUP. Why, I should say, as a guess, sir, around 60 percent. I think they estimate around 50 percent will be required next year for boxing and crating alone, for the boys overseas.

Mr. PATMAN. Mr. Crawford, did he mention, too, that there was a shortage last year, in 1943, of about 6,000,000,000 board-feet; and if it continues on as it is right now, it will probably be more this year? Is that correct, Mr. Northup?

Mr. NORTHUP. That is right, sir; and we will need every board-foot we can get, from any source whatsoever.

Mr. MONRONEY. As to your statement there, I have gotten about the same thing from Mr. Winton, down at W. P. B.

Mr. NORTHUP. Yes, sir.

Mr. MONRONEY. But I can't see how we will need that much stuff. The lumber must be used for boxing and packaging clothing and guns and other things, perhaps. But the bulk of our production goes overseas, unquestionably, uncrated, I understand.

Mr. NORTHUP. That may be true as to certain articles, sir; but I believe, insofar as our branch of the industry is concerned, we are not inclined to question the use of the lumber for that particular purpose. We simply want to get what is left, for the purposes for which we want to use it. Apparently they have found that lumber is the material that must be used to crate this stuff, to see that it gets over there in the proper shape; and if they say they need half the production to do that, we are willing for them to have it.

Mr. MONRONEY. It seems impossible that half of the production of the world's greatest lumber-producing country is needed for boxes. I think somebody got tangled up in their slide rule down there.

Mr. NORTHUP. I am afraid I can't contribute very much on that, but I am sure there are men in the lumber branch who could answer that question specifically and in detail.

Mr. CRAWFORD. Are you familiar with conditions in the lumbering camps?

Mr. NORTHUP. Not too familiar, sir. I am on the distribution end of the industry.

Mr. CRAWFORD. It is my understanding that many of the lumbering operations of some of our very large companies are practically at a standstill in the dead of winter, because of the absence of cutters and men who operate the sawing machines.

Mr. NORTHUP. I think that is correct, sir. I know there is a very definite manpower shortage in the mills.

Mr. CRAWFORD. That is all.

The CHAIRMAN. Are there any further questions? If not, Mr. Northup, you may stand aside. Thank you for appearing.

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Mr. PATMAN. Mr. Chairman, I presume this witness will be allowed the privilege of extending his remarks and making any further explanation he desires, since he testified extemporaneously.

The CHAIRMAN. Without objection, that may be done. Who is next?

Mr. PATMAN. Next is Mr. George R. Shuman, vice president of the Prussian Machinery Co., of Detroit.

STATEMENT OF GEORGE R. SHUMAN, VICE PRESIDENT AND MANAGER OF THE PRUSSIAN MACHINERY CO., DETROIT, MICH.

The CHAIRMAN. You may proceed, Mr. Shuman.

Mr. SHUMAN. My name is George R. Shuman, of Detroit, Mich. I am vice president and manager of the Prussian Machinery Co. Our business is the buying, rebuilding, converting, and selling of machinery. We have had a lot of experience with the various Government agencies in connection with the methods they are using in disposing of their equipment, and I would like to make these recommendations:

Plans to enable reconversion must be made now so that plants now on war work will be able to get back to civilian production with the least possible delay and the least disarrangement of labor.

Normal manufacturing cannot be resumed until arrangements are made for removal of unneeded equipment. If normal manufacturing is delayed, this will result in the disturbance of labor.

This can best be done through the technical help of regular trade channels.

To properly offer and sell machines which will be relocated, it is necessary that the equipment must be properly described and cataloged in detail.

Technical advice and experience of machine-tool industry, new and used, is necessary to promote and expedite sale of equipment and will result in speedy disposition at fair prices.

Sales can be made now to industry for present and future delivery and thus eliminate moving expense, warehousing, and loss of parts.

(After the last war, they lost thousands of parts of machine tools, which were afterward sold for scrap, reducing the value of the machines.)

This immediate selling will tend to prevent undue accumulation of surplus, because many manufacturers today would like to buy some of the tools in their plants. For instance, General Motors has some 53,000 machine tools and they would like to buy about 15 or 20 percent of them. The balance of them could be sold for delivery after their use is no longer needed in the war effort.

These sales should be made under the supervision of one Government agency.

For instance, the ordnance department in the Detroit district are trying to get 95 percent of the O. P. A. prices for machinery, regardless of condition or of age. D. P. C. is trying to get cost of the machine, plus freight, plus interest, less 8-percent depreciation. And, as cited here the other day, the Army Air Force at Memphis, Tenn., asked the cost of a machine, plus 5 percent. I had lunch wi

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John Rogers, the head of the Machinery Pricing Division of O. P. A., last week, and he was compelled to call this Army man and tell him he was not allowed under the regulations to charge that price, and the Army man said he thought it was his duty to get as much money as he could for the Government, regardless of regulations.

Mr. CRAWFORD. For the record, what is the D. P. C.?

Mr. SHUMAN. Defense Plants Corporation.

Presently there is no coordinated plan among the Government agencies for disposition of surplus.

I am helping the Detroit ordnance district in trying to train their representatives so that they can identify machine tools and their features. I have a man going down there 3 days a week. They take photographs of the machinery and make lantern slides, and my man asks them if they can pick out the important parts of the machine, which in most instances they cannot do. The machine tool business is one you can't learn out of a book. You have to have practical knowledge and years of experience.

From experience we know in the selling of machinery that various Government agencies do not have adequate personnel with training and experience in this field.

Not long ago there was a meeting called in Detroit by the War Production Board, with reference to reallocation of the machines. That division, I understand, is under Colonel Baxter. They asked me to attend a little preview, and I questioned as to his civilian experience the man who called the meeting, the Washington man. He had been superintendent of an enameling plant.

The redistribution agent in Detroit for the War Production Board is a former stock salesman.

The third man I asked about as to his experience stated he had been a salesman in a steel warehouse in Grand Rapids. I wasn't interested in what the other two men did.

I found that is true right on down the line. In the redistribution division of the Detroit ordnance district, Col. Frank Couzens is chief. He is the son of former Senator James Couzens, and is chairman of a bank. His chief assistant, Captain Hawkin, told me his experience in civilian life was as maintenance superintendent in a canning company plant at Marquette. Mr. Eager, the civilian head, was formerly a steel salesman. And the man who has charge of the field men who are supposed to inspect this machinery, and so forth—and there are about 25 of them—was formerly custodian of the Fisher Lodgings, which was a home for indigents. That is pretty good machinery experience.

With the use of the technical knowledge of regular trade channels markets will be least disturbed, as an effort will be made by trained personnel to dispose of surplus in the most orderly manner. Machinery salesmen will seek outlets for surplus equipment. Proper information cannot be had from lists in some office. Purchasers must be developed and interested if need to improve manufacturing facilities.

[illegible] Detroit we would like to help [illegible] machinery. We wanted to see what the [illegible] is and [illegible] ask [illegible] was [illegible] machinery that it can be [illegible] Eleanor Roosevelt.

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that he had orders not to sell. Ten days later, he was told he could lease the machinery for 10 percent a year for 15 years and, after that, buy the machinery at cost—which would run it pretty close to 125 percent. Then, after that, he was told he could buy the machinery at 95 percent of the O. P. A. ceiling. It was about a 1935 machine, with the handles and perhaps other parts broken on it; and they would not guarantee the machine was in good working condition.

Obviously, a buyer of any surplus commodity would prefer to purchase through someone familiar with the product offered.

The machine tool industry is basic, as important to our economic life as food. No mechanical contrivance can be made without use of machine tools. The war effort was speeded immeasurably by the all-out effort of all divisions of industry. Every effort should be made to have this industry carry on with the least possible disturbance by utilizing all the technical help available. We believe that this can best be done by the plan as outlined in Mr. Patman's bill, H. R. 3873.

Here are some writeups on machinery from the Treasury Procurement Division. Here is one issued from Fort Worth on December 18, 1943. They list——

Lathe, metal, Bardens & Oliver.

We in the machinery business know that is a turret lathe, since Bardens & Oliver manufacture only turret lathes; but we couldn't know the size, or whether it was cone head or drive, geared drive, or motor drive, or whether there are any cross heads on it or not.

Mr. PATMAN. Did you hear about the machine being purchased for $450, which was worth $9,000?

Mr. SHUMAN. Yes, sir.

Mr. PATMAN. Do you know what machine it is?

Mr. SHUMAN. Not the details of it. It was a woodworking machine.

Mr. PATMAN. And that was due to the fact that the Government agency did not have people qualified to describe the machine which was for sale.

Mr. SHUMAN. They had it listed as a profiler, and I am told that it was an edger and saw.

Mr. PATMAN. You think it was reasonably worth the $9,000?

Mr. SHUMAN. Yes, sir.

Mr. PATMAN. And it was bought for $450?

Mr. SHUMAN. Yes, sir. The man who told me this was Mr. Hackett who testified here yesetrday. He told me he would have been glad to pay $4,000 or $5,000 for it, if he had known what it was.

Mr. PATMAN. But he didn't know whether he should bid or how much he should bid, because he didn't know what kind of a machine it was.

Mr. SHUMAN. He assumed it was a woodworking profiler, which would be worth about $250.

Mr. PATMAN. Do you know how many establishments or places over the country are selling this property?

Mr. SHUMAN. I don't know how many different agencies there are, but I know the ordnance department is now trying to sell machines.

Mr. Patman. And you know the Air Corps are selling machines.

Mr. SHUMAN. And the arsenals are selling them.

Mr. PATMAN. And the Procurement Division of the Treasury?

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Mr. SHUMAN. Well, they are offering machinery. This is out of Louisiana, from New Orleans.

Mr. PATMAN. And they don't operate through a central agency, do they, but through many different branches?

Mr. SHUMAN. That is right.

Mr. PATMAN. Without any coordination whatsoever.

Mr. SHUMAN. Yes, sir.

This inquiry was sent out to 35 bidders; and they also have another machine listed here—

Miller, Brown & Sharpe, No. 2.

They make two different No. 2's, one plain and one universal, and you don't know which it is, or whether it is cone drive, single-pulley drive—which means geared drive—or motor drive. Today they build them with a motor in the base and don't have any pulley on the outside. And you don't know the equipment with the machine. I couldn't begin to bid on the machine, and of course I couldn't go to New Orleans just to look at it, because that would be too expensive.

Mr. CRAWFORD. You would call that awfully poor merchandising?

Mr. SHUMAN. Yes, sir. I wouldn't attempt to buy or sell machinery under those descriptions.

Mr. TALLE. Mr. Shuman, all of these machines are properly described, are they not, in their respective catalogs?

Mr. SHUMAN. That is right.

Mr. TALLE. So the job of describing them properly would be one of assembling the information from catalogs already available.

Mr. SHUMAN. It should not be done from a catalog. It should be done from physical inspection.

The ordnance department in Detroit tried to convince me their write-ups were very good on machine tools. I asked them where they got them, and the ones they said were very good, they had copied from the purchase order. I said, "Do you know whether the parts you have listed here are with the machines?"

"Well," they said, "they are supposed to be."

And I asked Major Winter, "Suppose you listed a Brown & Sharpe Universal, would any of your men know whether the dividing heads with that machine belong to the Brown & Sharpe mill, Kearney & Trecker, or the Cincinnati Milling Machine?"

And he said, "Aren't dividing heads standard on that?"

They are in the redistribution division.

Mr. TALLE. Would the job there of describing these materials involve the examination of each item and noting down the necessary characteristics?

Mr. SHUMAN. It should. If the machine-tool industry is to help in the sale of these machines, we would certainly want to see them, in most instances; and when we see them, we could certainly turn in the write-ups for the Government. We do that when we liquidate plants, for instance. We write up all the machine tools. It is part of our regular business—and the same way on appraisals.

The CHAIRMAN. Do you have to obtain priorities for the sale of these machines?

Mr. SHUMAN. Pardon me?

The CHAIRMAN. What is the priority law for your business?

Mr. SHUMAN. There is no priority law in used machines. There is on new, but not on used. It is only on the new machines.

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Mr. PATMAN. And not on the new machines, if they are being disposed of by the Government?

Mr. SHUMAN. Well, then they are used machines, though brand new. But you might have to get a priority for them.

Mr. PATMAN. Do you mean, when the Government sells them?

Mr. SHUMAN. Well, of course, they won't sell them, unless they have no need for the war effort. They could do that under the O. P. A. ruling, because O. P. A. states any machine bought for a purpose and then resold is a used machine.

Mr. PATMAN. It is a used machine?

Mr. SHUMAN. That is right.

Mr. PATMAN. That is my understanding, that it is sold without priority.

Mr. SHUMAN. That is right. I understand the O. P. A. have a separate ceiling for the armed forces, different from the one the ordnance department calls a commercial O. P. A. That was granted them through the lend-lease set-up.

Mr. WOLCOTT. That is interesting, because we have been told here by O. P. A. they have to put a general price on all commodities. The word "general" appears in the act, which says the President shall make a general order after November 1, 1942, and they have interpreted that that they have to put a general price on the articles.

Mr. PATMAN. And you state they have two prices, one the general price and one the Government price.

Mr. SHUMAN. The ruling I have here is that they can charge the cost of the machine, plus freight, plus interest, less 8 percent per annum for depreciation; but no one can sell or resell a machine tool for more than 95 percent of the cost price.

Mr. PATMAN. Do you have some other examples you would like to give the committee, Mr. Shuman?

Mr. SHUMAN. I don't think I have any more here.

Mr. PATMAN. Have you finished your testimony?

Mr. SHUMAN. Yes, sir.

The CHAIRMAN. What was the statement you just made about the resale of the machinery?

Mr. SHUMAN. The price is then governed by the civilian salesman, at 95 percent of the price of the machine tool as of March 1, 1941. The prices were frozen at that time. It doesn't make any difference if there has been an increase in price of 25 percent; it still has to be held at the March 1, 1941, price. And that 95 percent applies to a machine you will guarantee equivalent to new, by rebuilding and replacing all worn parts, and with the accuracy of a new machine.

Many of these machines they are selling now at 95 percent have been running 24 hours a day, 7 days a week, for 2 or 3 years. You can't guarantee them as equivalent to new.

Mr. TALLE. Does that two-price system extend beyond the field of machinery?

Mr. SHUMAN. I can't hear you, sir.

Mr. TALLE. Does that two-price system, which you have just mentioned, extend beyond the machinery field?

Mr. SHUMAN. No, sir.

Mr. TALLE. It is limited to that?

Mr. SHUMAN. The machine-tool people were the first people governed by O. P. A., and obviously it was done because there were to

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many high prices on the machines sold; so they tried to regulate them and, in most instances, have.

Mr. WOLCOTT. Do I understand you to say that to effectuate this 95-percent maximum price, the guarantee has to go onto the machine that it is practically as good as new?

Mr. SHUMAN. That is the O. P. A. ruling for civilian sale.

Mr. WOLCOTT. Does that apply to the armed forces?

Mr. SHUMAN. No, sir. They don't obey it.

Mr. WOLCOTT. Does it apply?

Mr. SHUMAN. They just say, "That is the price, and we won't guarantee anything."

Mr. MONRONEY. You were mentioning that General Motors, for instance, might have a desire to purchase 15 or 20 percent of the machine tools put in their plants by the Government. Is it your idea that all of these tools that are now in the General Motors plants, known by General Motors and their condition understood by them, should under this bill be turned over to the used-machine industry and, through them, sold to General Motors?

Mr. SHUMAN. No. I believe any machine tools in the plants now should be sold to the people where they are.

Mr. MONRONEY. So that they can get a better deal?

Mr. SHUMAN. Not only that they might get a better deal, but you would have that much out of the road; and I think they are entitled to the first shot at the machinery. First of all, it would save all the expense of moving the machinery, and the warehousing, the cataloging, and the listing.

Mr. MONRONEY. And the speedy reconversion means the machines are worth a little bit more to General Motors than would otherwise be the case?

Mr. SHUMAN. That is true. Mr. Wilson, the president of General Motors, and Mr. Keller, president of Chrysler, have both testified down here that they would like to buy machines they have, for use after the war. I know some of the men working for those corporations, and they have made their selections already.

Mr. MONRONEY. Under this bill you believe, then, there could be worked out a better deal for both government and industry, by first disposing of the machine tools to plants where they are now installed?

Mr. SHUMAN. There is no question about it.

Mr. MONRONEY. That would be better than to pull these machines out and dump them on the market a year, say, after both the war and the reconversion are over, you would say?

Mr. SHUMAN. The personnel I have contacted wouldn't know whether they were getting a right or wrong price for the machinery; they have no idea, except using this O. P. A. bible.

Mr. MONRONEY. But you think this bill would enable the Government to use a common-sense disposal plan and get rid of the stuff the people are ready to buy, at a fair price to the Government, without routing it through a lot of other different channels and maybe selling it as damaged and inferior goods?

Mr. SHUMAN. My opinion is that if you sell it the way they are going about it now, you won't realize 10 cents on the dollar, on the over-all picture.

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Mr. MONRONEY. And the machinery probably wouldn't be returned to work until after the reconversion period is over?

Mr. SHUMAN. That is quite true.

Mr. WOLCOTT. This is something that seems to be bothering the industry, on reconversion. This bill sets up this committee. Is it your understanding that they will have storage facilities to take care of the machine tools the industry does not immediately absorb?

Mr. SHUMAN. I don't think we would have enough warehouses in the State of Michigan to take care of the surplus machine tools.

Mr. WOLCOTT. I understand Mr. Wilson, of General Motors, whom you mentioned, has been greatly concerned with the problem of how to get this machinery out of his plants and get the new machines in.

Mr. SHUMAN. They have machines installed where they normally store materials and assemble cars. Obviously, they can't use that space as long as those machines are in there.

The Plymouth plant is a very good example. They tore out all their assembly plant and are now making airplane and gun parts there. They will have to get those machines out of the road.

General Motors, for instance, had only 85,000 machine tools before the war. Now they have nearly that many Government machine tools besides.

Mr. WOLCOTT. A lot of their equipment was put out under tarpaulins in the yards, wasn't it?

Mr. SHUMAN. A great deal of it was. However, a great many of those tools can be converted to other use. We converted automotive tools to making bombs and parts on escort ships, and so forth, by changing the tooling.

That reminds me of another thing. The Ordnance Department believes special machinery should be scrapped. The Detroit district office stated they had a number of Barnes drills "special." I asked what was special about it, and they said they had a head on it with a number of speeders. We had just converted some machines like that about a month prior thereto. The basic price of the tool was $5,200. The head we put on the machine, similar to the one we are talking about, cost $900. They would probably scrap the $5,200 machine, because it had a special $900 head on it. It takes a machine-tool man to know what should be salvaged and what could not be.

Mr. WOLCOTT. Why would they scrap it? There is no shortage of steel now, is there?

Mr. SHUMAN. They felt they couldn't sell it as a machine tool. I told them I would like to buy all of those "special" machines they thought should be scraped.

Mr. WOLCOTT. There wasn't any question of shortage of scrap metal or steel?

Mr. SHUMAN. Oh, no. It was just a question of getting rid of them, because they didn't feel there was any market for them as a machine tool.

Mr. PATMAN. Mr. Chairman, if this witness has finished, I would like to offer, for insertion in the record, two separate items.

The CHAIRMAN. You may stand aside, Mr. Shuman. We thank you for your appearance.

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FURTHER STATEMENT OF HON. WRIGHT PATMAN, CHAIRMAN, SELECT COMMITTEE ON SMALL BUSINESS, HOUSE OF REPRESENTATIVES

Mr. PATMAN. Mr. Chairman, I have a short note here from Mr. Thomas Quigley, the managing director of the Philadelphia Trade Relations Council, in which he states:

The attached editorial appeared in the Philadelphia Inquirer, January 19.
No time should be lost in setting up a committee to handle all this surplus merchandise. Otherwise, this situation will become a daily occurrence causing chaos on the retail market and a tremendous loss to the taxpayers.
We urge that immediate action be taken.

That is the letter of the managing director of the Philadelphia Trade Relations Council, and the editorial is entitled "Selling Our Property for a Song."

I would like to insert this editorial in the record, Mr. Chairman.

The CHAIRMAN. Without objection, it will go in the record.

(The editorial follows:)

SELLING OUR PROPERTY FOR A SONG

Representative Patman not only accuses the Treasury Procurement Division of doing "a very poor job" in disposing of surplus war goods, but cites some shocking facts and figures to back up his charge.

Last month, he says, thousands of pieces of chinaware, brand new, and never taken out of their boxes, were sold to junk and salvage companies at an average price of 8 cents, just as the Navy was contracting for 110,000 exactly similar pieces at 18 cents each.

This is one of many samples of the happy-go-lucky manner in which various Government agencies are handing out goods over the counter and making their own prices, without regard to the taxpayers' interests.

How could it be otherwise without a central clearing house for sales of Government property, conducted on business principles? Unless the present reckless practice is stopped, we're bound to have a repetition of the chaotic situation of 1919, when the huge war stocks left on the Government's hands were virtually given away to all comers.

When the President ordered the Budget Bureau to supervise these sales, it passed the buck to the Treasury. Then the Army, Navy, and War Production Board all took a hand. Mr. Patman proposes that the Reconstruction Finance Corporation be put in charge, with special instructions to give small business a break. Certainly there should be an end to these donation parties at the taxpayers' expense.

Mr. PATMAN. Mr. Chairman, I have one other request, to insert a page containing an article entitled "Across the Map." It is page 362 of the American Machinist, which I would like to have placed in the record at this point.

The CHAIRMAN. All of that is pertinent matter?

Mr. PATMAN. Yes, it is all pertinent to this inquiry.

The CHAIRMAN. Without objection, that may be done.

(The article follows:)

ACROSS THE MAP

Metalworking equipment in the United States shows a high degree of concentration. The total units in place have been broken down into nine geographical divisions. The table shows these divisions together with their areas and populations. The number of machines per 100 square miles and per 1,000 persons has been computed. The maps on the facing page have been shaded according to the intensity of machines available. New England, the Middle Atlantic, and the

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East North Central States show an overwhelming preponderance of mechanization. The percentage of machines over 10 years old in each division is also indicated.

	Machines in place	Machines over 10 years old	Percent over 10 years old	Area (square miles)	Machines per 100 square mile	Population÷1,000	Machines per 1,000 population
New England (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut)	257,038	200,508	78	66,424	387.0	8,597	30.0
Middle Atlantic (New York, New Jersey, Pennsylvania)	365,504	255,424	69	102,554	365.0	27,478	13.3
South Atlantic (Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida)	58,092	42,631	73	282,910	20.5	17,260	3.4
East North Central (Ohio, Indiana, Illinois, Michigan, Wisconsin)	514,844	353,273	69	248,105	207.5	25,841	20.0
East South Central (Kentucky, Tennessee, Alabama, Mississippi)	6,935	4,980	72	181,483	3.8	10,731	.7
West North Central (Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas)	66,172	47,342	72	518,379	12.8	13,819	4.8
West South Central (Arkansas, Louisiana, Oklahoma, Texas)	11,480	7,402	64	437,794	2.6	12,900	.9
Mountain (Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada)	3,699	2,522	68	865,017	.4	3,792	.9
Pacific (Washington, Oregon, California)	28,837	16,252	56	324,123	8.9	8,839	3.3

The CHAIRMAN. This concludes the witnesses today?

Mr. PATMAN. Yes, sir.

The CHAIRMAN. On Monday we are going to start a hearing on regulation Q. We will resume these hearings after that hearing is finished.

Mr. PATMAN. Do you think it might be sometime next week, Mr. Chairman?

The CHAIRMAN. I don't know, but I hope it will be sometime next week.

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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

MONDAY FEBRUARY 14, 1944

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Brent Spence (chairman) presiding.

The CHAIRMAN. The committee will come to order. This is a continuation of the hearings on H. R. 3873, to amend the Reconstruction Finance Corporation Act by adding a new title thereto relating to the sale or other disposition of surplus property of the United States. A copy of the bill will be inserted in the record at this point.

[H. R. 3873, 78th Cong., 1st sess.]

A BILL To amend the Reconstruction Finance Corporation Act by adding a new title thereto relating to the sale or other disposition of surplus property of the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Reconstruction Finance Corporation Act, as amended, is amended by inserting "TITLE I", immediately before the first section thereof, by striking out the word "Act" wherever it appears therein as a reference to such Act (except in the short title of such Act), and inserting in lieu thereof the word "title," and by adding at the end of such Act, as amended, the following new title:

"TITLE II

"SHORT TITLE

"SEC. 201. This title may be cited as the 'Surplus Property Act of 1943'.

"DEFINITIONS

"SEC. 202. As used in this title—

"(1) The term 'property' means any supplies, materials, or equipment, including real estate and improvements thereon, or tangible property owned by the United States, or by any corporation owned or controlled by the United States, which is under the jurisdiction or control of any governmental agency.

"(2) The term 'surplus property' means any property which has been declared to the central agency handling surplus property to be surplus to the function, activity, or project in connection with which it was acquired or accrued.

"(3) The term 'Government agency' means any executive department of the Government or any administrative units or subdivision thereof, any independent agency in the executive branch of the Government, and any corporation owned or controlled by the United States.

"SURPLUS PROPERTY POLICY BOARD

"SEC. 203. (a) There is hereby established a Surplus Property Board (referred to in this title as 'the Board'), which shall consist of the Chairman of the Board of Directors of the Defense Supplies Corporation who shall be the Chairman thereof, the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, and three individuals to be appointed by the President, by and with the

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advice and consent of the Senate. The three individuals so appointed shall be businessmen who have had at least five years' experience in the business of the retail sale and distribution of merchandise.

"(b) The Board (1) shall determine and prescribe the methods to be used by governmental agencies in making and maintaining inventories of property, and (2) shall determine the surplus property under the jurisdiction of the various governmental agencies that should be sold or leased, and shall inform the Reconstruction Finance Corporation as to every such determination.

"DUTIES OF GOVERNMENTAL AGENCIES

"SEC. 204. Every governmental agency (1) shall make and maintain accurate uniform inventories, in accordance with methods determined and prescribed by the Board, of property under its jurisdiction; (2) shall cooperate with the Board for purposes of determining which of the property under its jurisdiction is surplus property; and (3) shall cooperate with the Reconstruction Finance Corporation in connection with the sale or lease of surplus property pursuant to the provisions of this title.

"DUTIES OF THE RECONSTRUCTION FINANCE CORPORATION

"SEC. 205. (a) Surplus property which the Board has determined should be sold or leased shall be sold or leased by the Reconstruction Finance Corporation in a manner consistent with the provisions of this section.

"(b) The Corporation shall appoint an advisory committee for each class of property which is to be sold or leased. The members of such advisory committee shall be appointed from among persons who, by reason of their business experience, are familiar with the handling and marketing of such class of property, or similar property. It shall be the duty of the Corporation, in selling or leasing surplus property, to consult with the appropriate advisory committee or committees so appointed as to the price, time, method, and manner of disposing of such property.

"(c) In the sale or lease of surplus property pursuant to this title, the Reconstruction Finance Corporation shall, so far as practicable, be governed by the following considerations:

"(1) Distribution of such property should be through established trade channels.

"(2) The acquisition of large quantities of such property for speculative purposes should not be permitted.

"(3) The prices at which any particular property or class of property is sold or leased should be uniform.

"(4) Such property should be sold or leased at prices low enough to facilitate the disposition thereof, but high enough to enable the United States to secure a fair return therefor.

"(5) The sale or lease of such property should be at a rate which will not unduly disrupt trade and commerce.

"(6) The sale or lease of such property should take into consideration the need for facilitating and encouraging the establishment in the various communities in the several States by members of the armed forces of the United States upon their discharge or release from active duty, as well as by others, of small business enterprises and with a view to strengthening small business enterprises.

"(d) The sale or lease of surplus property shall be in accordance with such regulations as the Board shall prescribe regarding the times, places, quantities, and terms and conditions of the proposed disposition of such property; and such regulations shall require advertising for competitive bids except in such cases and with respect to such property as the Board determines that sales or leases by competitive bids would be contrary to the public interest.

"EXCLUSIVE METHOD OF DISPOSING OF SURPLUS PROPERTY

"SEC. 206. No surplus property shall be sold, leased, or disposed of otherwise than in accordance with the provisions of this title, except that where provisions of law are in force specifically authorizing the sale or other disposition of any particular property or class of property, such property or class of property may be sold or otherwise disposed of in accordance with such provisions of law if the Board approves such action as being consistent with the public interest.

"TRANSFERS BETWEEN GOVERNMENTAL AGENCIES

"SEC. 207. Notwithstanding any other provisions of this title, governmental agencies shall make the fullest practicable utilization of surplus property in order

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to avoid waste and unnecessary expense, and for such purposes surplus property may be transferred from one governmental agency to another, in lieu of its sale or lease pursuant to the provisions of this title. Such transfers shall be made subject to such regulations as the Board shall prescribe.

"DISPOSITION OF NONSALABLE PROPERTY

"SEC. 208. Notwithstanding any other provision of this title, surplus property which is not salable, or which for any other reason it is impracticable to transfer, sell, or lease as provided in this title, shall be repaired, rehabilitated, donated, destroyed, or disposed of in accordance with such regulations as the Board shall prescribe.

"PROCEEDS FROM SALE OR LEASE OF SURPLUS PROPERTY

"SEC. 209. All proceeds from the sale or lease of surplus property under this title shall be deposited and covered into the Treasury as miscellaneous receipts

"MISCELLANEOUS

"SEC. 210. (a) The Board is authorized to appoint and fix the compensation, subject to the civil-service laws and the Classification Act of 1923, as amended, of such employees as may be necessary for the performance by the Board of its functions under this title.

"(b) Each member of the Board appointed thereto by the President, by and with the advice and consent of the Senate, and each member of any advisory committee appointed by the Reconstruction Finance Corporation under this title, shall be paid compensation at the rate of $ per diem when actually engaged in the performance of his duties under this title, and shall be allowed necessary traveling expenses and subsistence expenses (not in excess of $ per day) incurred when absent from his place of residence in connection with the performance of such duties."

The CHAIRMAN. Mr. Jones, because of your wide business experience, your fine judgment, your good common sense, and your forthright and candid statements (which we always do not hear) we are always glad to hear from you.

Mr. JONES. That sounded like a very flattering compliment. Thank you very much. Will you put that in the record?

The CHAIRMAN. You may proceed, Mr. Jones.

STATEMENT OF HON. JESSE JONES, SECRETARY OF COMMERCE

Mr. JONES. Mr. Chairman, I have no prepared statement. I have not had time to prepare one and, if I started to prepare one, when I wound up, it would probably be too long. So, if you do not mind, if the different members of the committee will ask me such questions as are in their minds, I will do the best I can to answer them.

The CHAIRMAN. The examination will be conducted in any way you want it to be conducted.

Mr. FORD. Well I would like to ask some questions. Mr. Jones, what are you going to do with the rubber plants after the war?

Mr. JONES. Whatever Congress tells us to do.

Mr. FORD. I know; but you have some latitude there. You said at one time that you hoped to keep them as a kind of ace in the hole as a protection for American industry. Are you going to hold on to the ones that can operate in competition with natural rubber?

Mr. JONES. Again it gets back, of course, to the Congress; but I can tell you my views about it. I think we will have an annual manufacturing capacity of some 900,000 tons a year, or maybe a million

The CHAIRMAN. How does synthetic rubber compare with rubber?

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Mr. JONES. May I finish my answer to the other question first and then go back to that?

The CHAIRMAN. Yes.

Mr. JONES. Before the war, as I recollect, the annual production of rubber in the world, or the annual productive capacity, was about 1,500,000 tons. We, in the United States, took about a third of that; the rest of the world took about a third of it and, for that reason, they had a cartel to limit production to only about two-thirds of the productive capacity. Now, with our million tons, or 800,000 tons or 900,000 tons, you see the potential production will be well over 2,000,000 tons of annual productive capacity in the world, which is very much more rubber than the world can use until the rest of the people in the world begin to use rubber as we use it—I mean as freely and as much of it.

Specifically, to answer your question, I would say I think we ought to manufacture a substantial amount of synthetic rubber, maybe 200,000 tons a year, or maybe 300,000, or maybe 250,000. I think we ought to take our most economical plants and continue to develop the technique and to improve the quality.

Many rubber people think that synthetic rubber can compete with natural rubber. For many purposes, synthetic rubber is better than natural rubber; for others it is not; but the leaders in the rubber industry, a number of them, tell me they expect synthetic rubber will be developed sufficiently for almost 90 percent of the uses of rubber and at a price less than we used to pay for rubber.

That, I think, answers your question, too, does it not, Mr. Spence? The synthetic rubber, for many purposes, is superior to natural rubber. For heavy-duty tires, it is not, but they tell me synthetic rubber is just as good for passenger-car tires, even at high speeds, as natural rubber. But the heavy-duty tires still have to have some natural rubber to put with the synthetic.

Mr. PATMAN. You take the self-sealing gasoline tanks of airplanes: They cannot be made out of natural rubber, neither can they be made out of synthetic rubber, but a mixture of the two makes a good one.

Mr. JONES. Yes.

Mr. FORD. What I had in mind to develop, and you answered the question to my satisfaction, is this: You pointed out when you were up here before that we should hold the rubber plants in abeyance, or use them, in order that these cartels of the Dutch and English and the rest of them could not come in and run the price up to 25 or 50 cents, or a dollar, and we would always have that ace in the hole as a check. Is that your idea?

Mr. JONES. I think we should continue to operate some of them to develop the synthetic technique and get the cost down.

Mr. FORD. For the things that have proved satisfactory?

Mr. JONES. Yes.

Mr. CRAWFORD. Mr. Jones, incident to this bill, but with respect to rubber and other stock piles, this thought has been running around in my mind and, as I say, incident to this bill. You go to section 4 of the Atlantic Charter which has to do with the British and American Governments using their good agencies to make raw materials available to countries of like mind and on equal terms, for them to have access to these raw materials, and so forth, I am wondering if you would care to make any statement to the committee in connection with the disposition of the present stock piles as of the date that hostilities

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cease and these materials become surplus for disposition or liquidation into the markets of the world, or for disposition in throwing them into temporary or permanent stock piles for the purpose of stabilizing markets, or as future reserves incident to the peacetime needs or the future wartime needs.

Now with that kind of a background, my question is really this: Can you give us any thoughts with respect to the disposition of the stock piles, or the accumulation of stock piles for these various purposes to which I have referred, as related to the provisions of this bill?

I bring that up now while you are on rubber.

Mr. JONES. Well, it is a pretty long question; I will do the best I can to answer it. I think we should not sacrifice our existing stock piles or should not dispose of them so as to hurt the market generally, particularly where the materials do not deteriorate. Of course, that is true in metals. Most metals you can keep indefinitely, and a lot of ores and things of that nature you can keep indefinitely; but I am inclined to favor keeping good stock piles, where they can be kept without too much deterioration and too much expense. Just how that fits into this bill I do not know. I believe you provide——

Mr. CRAWFORD. I think it will fit into this bill. You might put a dollar value on it. If, for instance, we had an inventory, as of this date, of the surplus of all materials, as they are now evaluated, and if in that inventory there was a certain percentage of goods in the form of stock piles, of a nature which would not deteriorate, we could connect that portion of the inventory to the statement you have just made; and we could assume, for instance, to the extent you have indicated, that portion of the total inventory would not have to be sold and, therefore, would not be a surplus on the market, because it would be retained as a stock pile.

Now, then, let us go a step farther. Suppose hostilities cease and we have gotten down to the proposition of disposing of, we will say, the $50,000,000,000 inventory, and in that $50,000,000,000 inventory there are $10,000,000,000 worth of stock piles, $5,000,000,000 of which would be nondeteriorating stock piles, then my question would apply specifically: What would be your disposition then as to placing into the surplus sales job the $5,000,000,000 worth of nondeteriorating stock piles?

If I understand it correctly, your answer is to the effect that you would be disposed to reserve, from sale, that $5,000,000,000 worth of nondeteriorating stock piles. If that is a reasonable application of your observation, I think I have an answer on it.

Mr. JONES. Wouldn't that depend entirely——

Mr. CRAWFORD (interposing). I say, if that is a reasonable statement of your attitude, I think I have an answer to my question.

Mr. JONES. I think we should feed the stock piles into the market so as not to destroy the market.

Mr. CRAWFORD. I agree with you on that.

Mr. JONES. And that we should, as long as we can and if we can, maintain certain stock piles of critical and strategic materials. We have had to buy from all parts of the world probably 150 different kinds of materials. And as to those that are critical and are essential, that can be maintained to keep a stock pile, I think a substantial amount should be maintained.

Mr. ROLPH. Mr. Chairman, before we leave this subject, I would like to say to Secretary Jones that so far as the discussions have gone

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in the consideration of this bill, considerable discussion has been developed about the policy of selling merchandise separately from the disposal of plants. There is quite a large expression of opinion here that that should be handled separately.

I wonder if you have entered into any preliminary negotiations toward selling any of these rubber plants to private interests. In other words, have you discussed at all the question of disposing of them, after the war is over?

Mr. JONES. None whatever. And may I amplify that a little?

Mr. ROLPH. Yes, please.

Mr. JONES. I don't think any rubber manufacturer would know how to consider negotiating until he sees the general policy of handling or disposing of all these facilities which we have built.

Mr. ROLPH. In other words, they are waiting for the deliberations of this committee?

Mr. JONES. They must wait.

Mr. ROLPH. Let me ask you another question. You mention the quality of synthetic rubber as against crude rubber. Have you any figures on that as to how much synthetic rubber costs, compared to crude?

Mr. JONES. Only general figures. I have no figures with me as to what the rubber is costing that we are now making. It is substantially higher, though, than we were paying for natural rubber prior to the war. Some of the plants show indications they can make it in competition with natural rubber.

Mr. ROLPH. Do you think the synthetic-rubber industry would need a protective tariff, to exist?

Mr. JONES. Generally speaking, the rubber industry don't think so.

Mr. ROLPH. I see. In other words, they think they can compete with crude rubber, without any tariff protection.

Mr. JONES. They have expressed themselves, at least some of them—and I have met with the principal or the larger manufacturers, who have had, of course, the most experience and who have the best equipment—and a number of them think the synthetic rubber can compete with natural rubber.

Mr. ROLPH. That is very interesting.

I have made a note of a few questions in connection with the bill, Mr. Chairman. I wonder if it would be proper if I asked those questions at this time.

The CHAIRMAN. In your opinion, Mr. Jones, should not certain war goods from all bureaus and departments be cleared for sale through a central agency? In other words, the disposal of all these supplies be confined to one central agency, rather than have the different bureaus handle them separately?

Mr. JONES. Well, as I have heretofore stated, the plants and the raw materials, or, rather the metals and the finished equipment, the machine tools and things that do not deteriorate, I had thought might go in one agency; and that the merchandise, we will say, the surplus merchandise the Army and the Navy have to dispose of, might go into another. That has been my view. I had not thought it through to the end. Of course, you could have an over-all agency that would departmentalize.

Mr. ROLPH. Do you think, for instance, the surplus production the Army and the Navy have of these different commodities should be all

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grouped together with War Shipping Administration, for instance, and all those products handled through one agency?

Mr. JONES. If you had them in one agency, as I say, you would have to have departments that understood the surplus supplies that come from the Army and from the Navy and also from the Maritime Commission.

In our operations we have dealt, of course, with building plants and putting equipment in the plants and buying machine tools and buying critical and strategic materials. That is the part of the problem to which I have given most thought.

Mr. ROLPH. Should large groups or corporations be permitted to buy up vast quantities of surplus goods, to the exclusion of the small merchant? In other words, do you think great organizations should be permitted to absorb a large percentage of this merchandise; or do you think the small people should be protected so that the lots can be disposed of in quantities they can handle?

Mr. JONES. I have testified I thought in the disposition of materials, as well as plants, that the smaller units in business should have preferential treatment. I don't mean as to price; I mean as to opportunity.

Mr. ROLPH. In other words, you believe the small businessman should be protected?

Mr. JONES. I certainly do, because he is the man who constitutes the backbone of this country.

Mr. ROLPH. Thank you very much; I am very glad to hear that, because that is my idea, also.

Mr. PATMAN. Mr. Jones, I would like to ask you a few questions about this particular bill.

At the end of his remarks, Mr. Chairman, I ask unanimous consent to have inserted the testimony of Mr. Jones before the Small Business Committee of the House.

The CHAIRMAN. Without objection, it will be inserted.

Mr. PATMAN. This bill, of course, includes all properties—supplies, materials, equipment, including real estate and improvements thereon, all tangible property owned by the United States or by any corporation owned or controlled by the United States, which is under the control or jurisdiction of any governmental agency.

The term "surplus property" we are considering means any property which has been declared to the central agency handling the surplus property to be surplus to the function, activity, or project in connection with which it was acquired or accrued.

The board that is proposed in this bill will be known as the Surplus Property Board. It is to consist of the Chairman of the Board of Directors of the Defense Supplies Corporation, who shall be the Chairman thereof; the Secretary of War, the Secretary of Navy, the Secretary of the Treasury, and three individuals to be appointed by the President, by and with the advice and consent of the Senate, the three individuals to be businessmen who have had at least 5 years' experience in the business of the retail sale and distribution of merchandise.

It has been suggested there shall be at least one wholesaler on the Board, which I think would be an improvement of the bill.

The Board, it is proposed, shall determine and prescribe the methods to be used by governmental agencies in making and maintaining inventories of property, and shall determine the surplus property under the jurisdiction of the various governmental agencies that

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should be sold or leased, and shall inform the Reconstruction Finance Corporation as to every such determination.

Of course, the bill states further what every governmental agency is to do. But the main idea behind the bill is contained in subsection (c) of section 205, which reads:

In the sale or lease of surplus property pursuant to this title, the Reconstruction Finance Corporation shall, so far as practicable, be governed by the following considerations:

And this is what I would like to get your opinion on, Mr. Jones, as to whether or not you agree these considerations are right.

Mr. JONES. Yes; I am trying to follow you.

Mr. PATMAN (reading): First, the—

distribution of such property should be through established trade channels.

Number 2.

The acquisition of large quantities of such property for speculative purposes should not be permitted.

Then,

(3) The prices at which any particular property or class of property is sold or leased should be uniform.

Mr. JONES. Well, now, up to that one, I agree with you.

Mr. PATMAN. You agree with the first two; but you doubt the wisdom of the prices being uniform? You doubt the wisdom of that?

Mr. JONES. I doubt the feasibility of it.

Mr. PATMAN. I am apprehensive myself that it would not work in some cases.

Mr. JONES. Yes, sir.

Mr. PATMAN. And since the hearings have started on this bill, I have received information which leads me to doubt the wisdom of that particular provision.

Mr. JONES. Yes.

Mr. PATMAN. No. 4:

Such property should be sold or leased at prices low enough to facilitate the disposition thereof, but high enough to enable the United States to secure a fair return therefor.

(5) The sale or lease of such property should be at a rate which will not unduly disrupt trade and commerce.

So you agree with that?

Mr. JONES. I think No. 5 is all right. What is the first part of 5?

Mr. PATMAN (reading):

The sale or lease of such property should be at a rate which will not unduly disrupt trade and commerce.

Mr. JONES. That is all right.

Mr. PATMAN. Then No. 6:

The sale or lease of such property should take into consideration the need for facilitating and encouraging the establishment in the various communities in the several States by members of the armed forces of the United States upon their discharge or release from active duty, as well as by others, of small business enterprises and with a view to strengthening small business enterprises.

Mr. JONES. That is highly desirable.

Mr. PATMAN. That, of course, I think, is one of the best provisions of the bill, that this huge stock pile will be used to help men go into business, if they want to go into business, and it will help small

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businessmen already in business to strengthen their business, and it will encourage private and free enterprise.

For instance, I had a letter from a boy in north Africa who lives in my home town. He said he had read this bill I introduced, and he said before the war he was in the cleaning and pressing business in my home town, and sold out his place, and that he wanted to go back when the war is over; that the Government had lots of property that he was interested in, and that he wanted to buy part of it in some way; that if he could pay for it on reasonable terms, enough of it to go back in business, he wanted to be able to do that, if that particular town needed such an enterprise.

Two other boys wrote a letter which I put in the Congressional Record, saying they had read about this and they wanted to put in a garage, naming the town where they wanted to have the garage. They said the Government had lots of machine tools and things they need in installing this garage. They said they thought it would be a fine thing if there would be some provision whereby they could get consideration of their application.

I have had letters from a lot of different servicemen in this war, from different sections of the country, expressing interest in this particular provision. You think it would be all right, Mr. Jones?

Mr. JONES. I certainly do, and we in the R. F. C. are already getting out special regulations for men who are discharged from the Army. A great many men in the Army were in business for themselves, and those men ought to be helped to get back into business if it is possible.

Our purpose is to get out regulations so that if a man comes out of the Army now—he does not have to wait until the war is over—and he wants to go back into his line of business, or in some kindred line, or something he understands, he will have a few dollars, and we want to help that fellow, and we can help him under existing law. We can make loans to him and help him reestablish himself in business, not only get employment for himself, but put him in a position to give employment to others now in the Army.

Mr. PATMAN. In other words, we should not restrict our aid to helping them get jobs; but, also, we should assist them in getting back in business, under desirable circumstances.

Mr. JONES. Yes; to put them back in business.

Mr. PATMAN. I had another letter from a serviceman who had been in the restaurant business, calling my attention to the enormous amount of equipment owned by the Government, some of which he could use when the war is over. Another fellow wanted to go back in the barbering business. I suppose we have heard from 15 or 20 different occupations, just on this one provision. People are very much interested in it.

Mr. JONES. We had a letter just the other day, I think from a man in the Army, from abroad. He and another soldier said they would be able to raise $10,000 and they wanted to know if we could make them a loan.

Mr. PATMAN. The enactment of such a provision as this, or the adoption by the R. F. C. of such a policy as you have outlined, should be an incentive to boys now in the service to save their money to use after the war is over.

Mr. JONES. That is right.

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Mr. PATMAN. And they can get more value for their money in this way, because they will be able to buy just what they want and pay for it under reasonable circumstances and conditions.

Mr. JONES. Yes.

Mr. PATMAN. You already have the power to deal with this property, whether it is in the Defense Supplies Corporation or the Defense Plants Corporation, do you not, Mr. Jones?

Mr. JONES. Yes.

Mr. PATMAN. A large part of it is in those two corporations now, is it not?

Mr. JONES. Defense Supplies, Metal Reserve, Rubber Reserve—all of those corporations are really children of the R. F. C.; and we buy and sell every day. We have bought billions of dollars worth of raw materials, and we are selling them every day. We have sold probably two and a half billion dollars of raw materials already.

Mr. PATMAN. And you state you are formulating a regulation now which you expect to issue soon, that will carry out this proposal insofar as it is within the power of these corporations under the R. F. C.?

Mr. JONES. Yes; and within the spirit of your bill.

Mr. PATMAN. Yes, sir.

Mr. JONES. And, in principle, I think the bill is a good bill.

Mr. BROWN. Mr. Jones, I presume you have studied this bill, as written?

Mr. JONES. I have not studied it minutely, but I am familiar with the objectives of the bill.

Mr. BROWN. I have great respect for your judgment and I am glad you have indicated you are still for the little businessman and the average individual, the backbone of this country. That is what you stated?

Mr. JONES. Yes.

Mr. BROWN. You used that expression?

Mr. JONES. Yes.

Mr. PATMAN. Mr. Jones, you know the Defense Supplies Corporation and the Defense Plants Corporation have a lot of fabricated plants now in this country, amounting to probably billions of dollars worth.

Mr. JONES. Yes.

Mr. PATMAN. They are not located in places where they would be profitable in peacetime work. In other words, they are engaged in a wartime activity, making materials, munitions of war; but in peacetime the people who have these plants could not pay for them, because they are not located at places where they are economically desirable or could be made to be profitable.

What do you propose to do with those plants? Do you expect just to sell them at the best price you can get, or do you expect to permit people in other sections of the country to submit propositions to you which would indicate that if they bought those particular fabricated plants, they would be able to pay you 100 cents on the dollar, or pay you 80 cents on the dollar, or 50 cents on the dollar; whereas, if you left such a plant where it is, you would not get anything for it. Would you not consider moving those plants around, in a case like that?

Mr. JONES. We get back to the proposition that the Congress must determine how this should be done. If we have a plant located

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in a community where it cannot be economically operated, and it is possible to put it in another community, of course that is desirable. But I think you have to have either a general outline by Congress, as to how this whole problem should be handled—and it is just about as big as the war itself.

Mr. PATMAN. In other words, you want a legislative policy to govern the distribution?

Mr. JONES. Yes; we certainly should have direction from Congress as to how it should be done.

Mr. FORD. With the proper latitude in which to do it?

Mr. JONES. There must be the proper latitude, of course.

Mr. MONRONEY. Mr. Jones, do you think we should include in this bill at this time the disposal of real estate and plants, when it was largely intended to take care of the disposition of surplus commodities, before we have had a chance to completely study this matter of selling the real estate, the vast real estate holdings, and the billions of dollars worth of new plant construction that has been built?

Mr. JONES. If I may digress a little, your question brings to mind the thought that I think we are talking a little bit too much about disposing of war plants at this time, because I don't think the war is won yet, and I don't think we should get the idea around that, well, the war is about over and we should begin now to dispose of these plants and this material. I would just like to get that thought out, because I think there has been entirely too much planning and talking about post-war, when we yet are far from having won the war.

Mr. MONRONEY. We are not home yet.

Mr. JONES. We are not home yet; no.

Your question was whether you should dispose of plants or materials? What was that?

Mr. MONRONEY. I think the urgent need for this legislation is largely along the line of processed materials that ought to be fed into commerce as soon as they are declared surplus.

Mr. JONES. That gets back to the point that you feed it in when it is declared a surplus, you feed it into the market, if the market will take it.

Mr. MONRONEY. Yes.

Mr. JONES. We can do that now. We sell material every day.

Mr. MONRONEY. But there are several other agencies selling material, where perhaps there is a need for centralization.

Mr. JONES. I think probably the War and the Navy have surplus materials they would like to dispose of; and, for that reason, I suppose we need some procedure set up for them.

Mr. MONRONEY. Yes.

Mr. JONES. I think probably they have the authority; but if they sell something too cheap they get criticized.

I think there is another side of this question that is going to give everybody trouble, every Member of Congress and everybody else. If you have a plant that somebody wants to buy at 10 cents on the dollar, or 20 cents on the dollar, or 50, or even 90, there will be partisanship and criticism in a great many cases.

Mr. ROLPH. You speak about the fact that this is an inopportune time to talk about disposing of plants. But is it not a fact that in the case of aluminum some plants are being shut down now?

Mr. JONES. Yes.

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Mr. ROLPH. And is it your idea that those plants be continued to be held by the Government?

Mr. JONES. I didn't get that.

Mr. ROLPH. What is your idea about these aluminum plants being shut down?

Mr. JONES. Well, they are shut down because we have an overcapacity. An aluminum plant is not good for much else.

Mr. ROLPH. For instance, out in California we have an aluminum plant that is of very great interest to my particular congressional district.

Mr. JONES. Yes.

Mr. ROLPH. We are anxious to know what is going to happen to that particular aluminum plant, and I am asking you the question: In your opinion, what should be done with those aluminum plants being shut down?

Mr. JONES. If it is necessary to shut them down, they ought to be locked up and held as stand-by until the war is all over and then we can see what should be done about them.

Mr. ROLPH. You would keep them intact until we know that we don't need to put them in production again?

Mr. JONES. Yes, sir. I might add also that it seems to me that the disposal of capital machinery and equipment should not be separated from the disposal of plants.

Mr. PATMAN. Mr. Chairman, I have two or three other questions:

In the disposal of these fabricating plants, for instance, or manufacturing plants, of course you will have to keep in mind the prevention of monopoly and, at the same time, keep in mind not disrupting manufacturing and distribution.

In other words, I imagine a request like this will come up, where we will say a certain group will be able to present a plan to you whereby if permitted to purchase a certain plant in another section of the United States, and move it to their own location, they can then engage in business and serve that area and pay for the plant 100 percent. But, at the same time, the people who are engaged in that particular type of business will complain, and they will say "If you are permitting that to be done, you are adding more competition to our own business and you will probably hurt our business which is already established and which went through the war."

You don't know just how you would handle a situation like that, and that is the reason you would need a board, is it not, Mr. Jones, to decide questions of policy like that?

Mr. JONES. Yes; I would like to have a board, and what you have outlined I think is very good. I think it should be a bipartisan board.

Mr. PATMAN. A bipartisan board?

Mr. JONES. Yes.

Mr. PATMAN. Yes; I agree with you. I think it would be very good, too.

Mr. JONES. And in the way you have outlined it, I think you have outlined it pretty well.

Mr. PATMAN. Yes. You take the Secretary of the Navy and the Secretary of War; they are of the opposite party to the party in power now.

Miss SUMNER. Isn't that a kind of a fake, that bipartisan stuff? [Laughter.] I mean, the Chicago Daily News is about the most New

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Deal paper in Chicago. I don't know how you can get anything Republican out of that.

If you are going to have this thing bipartisan, why don't you have some arrangement whereby the people select them?

Mr. PATMAN. That goes back to the New Deal. I haven't heard anything about where the people in Illinois have introduced a bill to repeal the New Deal.

Miss SUMNER. After all, if you want to have something bipartisan, all right; but why call it bipartisan when it really is not? Why don't you have some arrangement whereby each party makes nominations for the board?

Mr. PATMAN. That was never done during the time the gentlewoman's party was in power.

Miss SUMNER. Well, you say "my" party; I wasn't interested in politics at that time and didn't know what they were doing. What I am saying is that that is the fair thing to do. Either don't call it a bipartisan board, or have some way by which you would get a referendum. The way you suggest, it is just a fake, isn't it?

Mr. PATMAN. I wouldn't consider it a fake. I don't consider those gentlemen fakes.

Miss SUMNER. I certainly would not call Mr. Knox a Republican.

Mr. PATMAN. I thought he had always been an active Republican.

Mr. FORD. He still is.

Miss SUMNER. I didn't want to enter into his personal business; but if you want to have a bipartisan thing here, why don't you put it in your bill in some way that they can be appointed by the party?

The CHAIRMAN. Mr. Jones, you didn't come up to testify on that, did you?

Mr. JONES. No; but I have no objection.

The CHAIRMAN. Nor as to the qualifications of the representatives of the party?

Mr. JONES. Well, I don't mind talking about anything. I think the R. F. C. has been a pretty satisfactory Government agency. It is a bipartisan board, and always has been.

Mr. PATMAN. Mr. Jones, a number of these plants were closed down recently. You take, for instance, the Republic Steel Plant in South Chicago.

Mr. JONES. Yes.

Mr. PATMAN. It was 98 percent complete, a $100,000,000 steel plant, with blast furnaces and coke ovens. It is my understanding you are going to go ahead and complete that plant anyway, so as to be able to offer for sale a completely integrated plant, rather than have it remain there, say, 98 percent complete, in which case it is just junk. Is that right?

Mr. JONES. Well, I don't know that the final decision has been made. You know, when we shut these plants down, or stop the construction, we are doing it at the direction of the War Production Board.

Mr. PATMAN. Yes, sir.

Mr. JONES. According to my recollection, we had expended about $86,000,000 on this plant, and it would take about $4,000,000 to finish it. Those figures are approximately right.

Then there is a big plant in Utah, in which I think we have about $190,000,000, and it would take about $2,000,000, maybe, to finish that—that is, one part of it, a structural steel plant. It is finished

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to plates and various and sundry things. But when we no longer need ship plates, they would like to have structural steel from that plant, to serve their part of the country. That is reasonable and proper, it seems to me. But when the War Production Board tells us to stop something, we stop.

Then we have to consider—and this brings it to mind—what is in the interest of the whole economy of the country, post-war? Is it to the interest of the country to complete these plants and make steel in Utah and in southern California and to make steel here and there and elsewhere, or should we leave it more or less where it is now? I think, as far as possible, without damage to any particular locality, if we could decentralize industry and get away from too much congestion, the country would be better off.

Mr. PATMAN. We would be less vulnerable in wartime, too.

Mr. JONES. Well, we would generally be better off. Yes; that is probably true.

Mr. PATMAN. And that would save a lot in freight rates. I suspect in Utah it would enable the people out there to save $15 or $20 a ton on steel, just on freight rates alone.

Mr. FORD. Mr. Jones, there is one question I would like to ask, and that is in reference to real estate.

Mr. JONES. Yes.

Mr. FORD. The Army and the Navy in a great many instances have gone to places where we have a port and they have taken over the land.

Mr. JONES. At the port?

Mr. FORD. Yes. You know there has always been a battle between ports and railroads.

Mr. JONES. Yes.

Mr. FORD. And what I want in this bill is a provision that will give the particular municipality, where it has granted the Government certain rights as to the port, to get that port back.

Mr. JONES. To restore its former position; yes, sir.

Mr. FORD. So that the railroad cannot go in and cut them out.

Mr. JONES. That sounds reasonable.

There is in connection with real estate this very big problem: There are enormous tracts of land that have been gotten together for, maybe, proving purposes, and things of that nature. There are miles and miles and miles of that. I think maybe the land ought to go to the Reclamation Department, which is in the Interior Department.

Mr. FORD. I am thinking particularly about Los Angeles. I imagine they have protected themselves pretty well, but there are other port cities where land has been taken over by the Government, where the cities have fought for years against handing it over to the railroads. Now if it its offered for sale, the railroads will get it back, which will leave the port cities in somewhat of a spot.

So I want something in this bill to protect the cities which have turned over their land, or whatever it may be, to the Government, to see that they get that land back.

Mr. JONES. That they get it back on some proper basis.

Mr. FORD. Yes.

Miss SUMNER. That brings up a point about which I want to consult you. Several months ago I was talking to a prominent industrialist about this particular problem of disposing of surplus

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stocks, and he said that if we were not very careful it would develop into one of the biggest rackets this country had ever seen, and all the rest of it. He suggested that since there had been inflation since most of this stuff had been purchased, referring particularly to machinery in plants being used now, that the market price of this, in a free market, would probably be higher than at the time when it was purchased.

In other words, if you would take that machinery and go out and sell it today, because of the inflation now existing you would probably get a higher price than the cost of the machinery when it was purchased.

He suggested that we ought to have a law saying that no property should be sold until it was first offered, with a reasonable chance to purchase, at cost to the Government. In other words, put the machinery on the market at cost, and if nobody buys it, then adjust your price accordingly. In that way, he said, the people who want it at cost would have a chance to buy it; it would be free for all, and you would not have some of these racketeers who, according to him, are already starting corporations for the mere purpose of buying these things.

He said he knew of cases where they were even getting into the war and going abroad, because they were hopeful of the fact that people who had a surplus would get a preference. He said that if you had that rule, by which the article would be offered at cost, first, that at least the Government would have a fighting chance to get what it paid for it. That seemed reasonable to me, and I would like to have your comment on it.

Mr. JONES. I don't think the Government will get cost for very much of the tools and plants and machinery we bought.

Miss SUMNER. What is your objection to offering it at cost?

Mr. JONES. There is no objection in the world.

Miss SUMNER. He didn't say he would stick out for cost and hold it until that was gotten, but that the fairest thing to do would be to offer it at cost, giving a reasonable chance for it to be disposed of at the cost price.

Mr. JONES. Most of these purchases have been made at a cost higher than normal, due to the higher cost of labor and the generally higher prices.

Miss SUMNER. He said plenty of plants would be pleased to get this property at cost, if they could get it at cost.

Mr. JONES. If the Government could get cost, it would be very lucky. Most plants, excluding magnesium and rubber and aluminum, carry options to the operator to buy, on a basis of cost to the R. F. C., less depreciation, I think at 5 percent on buildings and 12 percent on equipment. That would still leave a very satisfactory price to the Government if we could get that.

Miss SUMNER. He said, on account of inflation, that the value would have appreciated.

Mr. JONES. I don't think you have had that much inflation. We have had only one steel man exercise his option, and that was Bethlehem, where we had contracted to put equipment in four of their plants aggregating about $32,000,000 or $33,000,000. They had a right to buy it on this basis, but they bought it last December. We had put out about $21,000,000 and they paid us the money at our cost

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and assumed the balance of the contract. That is the only option in the steel business which has been exercised, and we have spent about a billion dollars building steel facilities.

Miss SUMNER. Have the options run out, yet?

Mr. JONES. Oh, no. They would run out generally about 90 days after the plant is no longer used. If we shut down a plant, then the operator has a 90-day option to buy it on that basis probably 6 months in a few cases.

Miss SUMNER. A man might be a fool to run in and exercise his option before he had to do so, might he not?

Mr. JONES. I don't know.

Miss SUMNER. I mean, there is no reason why he should.

Mr. JONES. I am just giving you the terms.

Miss SUMNER. The fact that he has not done it, while his option has not yet expired, does not necessarily mean that he is not going to do it.

Mr. JONES. Not necessarily.

Mr. WOLCOTT. Mr. Jones, I started out in favor of this bill, but I am afraid you have scared me. You don't mean by your testimony to indicate that the Federal Government should be given the authority to manipulate the geographical location of industrial plants, do you?

Mr. JONES. The Government?

Mr. WOLCOTT. Yes.

Mr. JONES. Will you give me an illustration?

Mr. WOLCOTT. Take, for example, I understand from your colloquy with Mr. Patman that if the Chrysler Corporation does not exercise its option to purchase the Chrysler Tank Arsenal in Macomb County, Mich., and this board decides it is practicable to create an automobile factory anywhere else in the United States, this board would have it within its power to move that entire plant from Macomb City, Mich., to whatever location they decide should be the site for an automobile plant.

Mr. JONES. I didn't understand I had answered that question in the affirmative.

Mr. WOLCOTT. That is the impression I got.

Mr. JONES. I haven't had any thought the United States Government was going to move the plants.

Mr. WOLCOTT. Well, the board would move them.

Mr. JONES. That is the Government. But if there is no market for that plant, and somebody in Chicago or Kansas City or some other place wanted to buy that plant——

Mr. WOLCOTT. They are talking about moving the steel industry to Utah.

Mr. JONES. It is already there. We have some one hundred and ninety-odd million dollars there.

Mr. WOLCOTT. In defense plants?

Mr. JONES. Yes.

Mr. WOLCOTT. That is for war purposes?

Mr. JONES. Yes.

Mr. WOLCOTT. We are talking now about the economic feasibility of the decentralization of our heavy industry and spreading it around through the United States, under the power vested in this bill—and you have me frightened.

Mr. JONES. I don't think I have said or done anything that should frighten you. In other words, we have a complete, modern steel mill

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in Geneva, Utah, which is 1,500 miles nearer to the Pacific coast than Chicago. In the nature of things, there must be a territory contiguous to that plant that could keep that plant in operation.

Prior to the war, the capacity of steel production in this country was operated at about 60 percent, either over a period of 10 years or over a period of 20 years. I made the study myself. Now we have increased the capacity for steel manufacture about 10 percent. So that if we went back and used as much steel, or the same amount of steel, as we have been using on that average, then we would be operating at probably 50 percent of capacity.

Some of the steel people had difficulty in getting along on that volume. But we have that big steel mill out there in Utah, and what will we do with it, assuming we can make steel there as cheap as we can, we will say, at Pittsburgh or Chicago?

Mr. WOLCOTT. You can probably make it cheaper.

Mr. JONES. Maybe.

Mr. WOLCOTT. You might move the automobile industry from Detroit down to Birmingham, Ala., because you can get labor and power cheaper down there, whether or not it would be economically feasible to do so or desirable that the United States Government, through the power which it has to manage our economy, wants to manipulate the geographical location of industries.

Mr. JONES. I think it would be impossible.

Mr. WOLCOTT. That, to me, indicates a continuance of a managed economy. That is what we want to get away from.

Mr. JONES. I don't think we could move—well, I know you could not—move the automobile industry from Detroit to Birmingham, Ala.

Mr. WOLCOTT. Well, we can move units of it down there.

Mr. JONES. Yes—and that may happen.

Mr. WOLCOTT. About once a week, up until recently, we have been listening to the good, old chamber-of-commerce speeches on the floor of the House in respect to the cheaper electric power and the cheaper labor in the Tennessee Valley. Every chamber of commerce in the industrial North is right now thinking of programs to offset the influence that is having now on the migration of industry to other localities.

It is bad enough when we subsidize cheap power through the T. V. A. Mr. Rankin is not here; so I can speak without fear of successful contradiction. Also it was bad enough when the N. R. A. advertised that you could get labor cheaper in the South—in Tennessee and Alabama and other States which were benefited by the T. V. A. development. We saw at that time a movement of northern industry to these areas where we had created Government-subsidized power.

Now, we surely don't want to create a situation, taking advantage of the war, to supplement all of the activity in respect to the movement of industries, the migration of industries, in this country, beyond what we have already done, it seems to me.

For example, when you move a part of the steel industry from Pittsburgh to Utah, you not only move a part of that steel industry, but you move a great portion, a large portion, of our population. It is not only a question of the power to manipulate the geographical location of industry; but, along with it, goes the power to manipulate the movement of families and individuals. I don't think this bill was

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ever intended for that purpose. I thought this bill was intended to prevent a lot of these speculators from buying up a lot of surplus materials, following the war, and establishing thousands of, we will call them, Army and Navy stores throughout the United States, for the disposal of these surplus commodities, to the prejudice of our general economy.

I surely am not going along with any bill which gives this Federal Government, from now on, the power to do the things which we have been fighting for the past 10 years. I think, if we had to do it, it would be more economically sound to junk the factory, if there is no more use for it. Certainly there have been a lot of private factories junked in the last 4 or 5 years.

Mr. JONES. May I make one little comment? I just want to say that whenever it is economical and natural for such a migration to come about, it will come about.

Mr. WOLCOTT. Yes; but we don't need to encourage it.

Mr. JONES. I didn't know that was in the bill.

Mr. WOLCOTT. The power to do it is here in the bill.

Mr. PATMAN. He said that was one of the problems Congress should solve by establishing a legislative policy in regard thereto; that he realized this question of monopoly or disruption of the economy would be dealt with by the board, but Congress should establish a policy on it.

Miss SUMNER. Not one of these policies that is mandatory.

Mr. PATMAN. I wouldn't want it to be mandatory.

Miss SUMNER. It is completely discretionary.

Mr. WOLCOTT. We have had our experience with this thing, the "so far as practicable" business. That is written all through the Price Control Act. That "so far as practicable" they shall follow certain standards which are set up. They follow them if they want to, and if they want to do a little manipulating, they don't see fit to follow them.

I don't think there is anything in this bill, Mr. Patman, with the exception of establishing perhaps legislative intent. And from now on, if I have anything to say about these bills, they are going to be written in terms of words of one or two syllables, and you might have to give out a dictionary with each copy of the bill, so that some of the departments know what we mean. In fact, I think it has been suggested that at the end of each paragraph we add "And, by God, we mean it."

Frankly, I am through with creating power and turning it over to bureaus to enforce, "so far as practicable," because I think that is giving them a little bit too much latitude in determining what is practicable. There is a lot of manipulation to the prejudice of the general welfare of the United States.

There is one other thing I would like to bring up. It is possible, is it not, for the Federal Government to acquire such tremendously large stock piles of not only heavy goods but consumer goods, as will enable the Government to control the economic destiny of this country?

Mr. JONES. They can only do it with your permission, with the permission of Congress.

Mr. WOLCOTT. If we don't do something to negative the authority which they have at the present time, they could dump that stock pile

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on the market or they can withhold it from the market, thereby continuing the managed economy.

I am a very stanch believer in the establishment—and you know it—of creating sufficient stock piles of strategical and critical materials essential to the war effort. But I don't want to contribute to the establishment of stock piles so much greater than actually needed in the war effort, so that we are giving to these bureaus the control over our economy following the war. That alarms me.

Mr. FORD. May I make a comment at that point, Mr. Chairman? Speaking of managed economy, for as long as I can remember, the economy of the Pacific coast, or west of the Rocky Mountains, was managed from Pittsburgh in regard to steel.

West of the Rocky Mountains we have steel and coal and iron ore and all the things essential to the making of steel; and we have some plants out there now in Utah and California. I make this statement, that prior to this development, the Steel Corporation had managed the steel economy of the United States by denying to these particular districts the right to make their own steel; and we have those steel plants there now and, by God, we are going to hold them. (There was scattered applause from the audience.)

Mr. ROLPH. Will the gentleman yield to me?

Mr. WOLCOTT. Just a minute, please.

Understand I have no objection to the steel people establishing a plant anywhere in the United States they want to. But if you start applauding the efforts of some of these boys here in Washington to take from one locality and put in another, there is just as much reason to believe they will take from your locality and bring it into Michigan, as it is they will take from Michigan and put it into your locality—and you wouldn't applaud that. That is what I am trying to prevent here.

There is no reason whatsoever why the steel business or anybody who wants to go into the steel business should not do so, in Utah or in California or anywhere they please. But I am going to do anything I can to prevent the Government from establishing a steel business or an automotive business or a dry-cleaning establishment, in competition with private enterprise.

Mr. MONRONEY. I didn't think that was in the bill at all.

Mr. PATMAN. It was not contemplated.

Mr. WOLCOTT. You go ahead and try to get all the industries you can get in California. But I think it is my job to keep all the industries I can in Michigan—and that is what I am going to do.

Mr. PATMAN. Mr. Chairman, in regard to that phrase, "so far as practicable," that is not new in legislation. And we cannot have rigid, unelastic rules involving things like price control, having to do with 8,000,000 different products and commodities. If we did, we would be doing a lot more crazy things than we are doing now.

We have to have some elasticity, and we have to trust the executive department. That is now new, the question of trusting the executive department. It is not new about giving a board the power to do what the gentleman from Michigan has said just a few moments ago they would have the power to do under this bill.

The R. F. C. was created in 1932, and that was a bipartisan board; the Honorable Jesse Jones was appointed by the Honorable Herbert Hoover, then President of the United States, as a member of

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board. That board worked well as a bipartisan board. That board had the power to move railroads. It has the power to stop certain railroads and permit others to continue operating. It had the power to change, to merge, and to put out of business insurance companies, and to change them from one section of the United States to another. It had the power to cause banks to merge, some to go out of business, and some to be transferred from other localities. That power is not new.

I think, so far as the abuse of this elastic power under O. P. A. is concerned, the gentleman from Michigan should be very proud of O. P. A. And I say that with proof to support what I say. We have a comparable situation, that we can put one up against the other. We had a world war commencing in 1914. We had another world war commencing in 1939. For the first 51 months of World War I, we can compare prices, and the effectiveness of price control or lack of control, with the prices during World War II, for the first 51 months. We have an analogous situation.

Mr. WOLCOTT. You don't have to defend the O. P. A. to me.

Miss SUMNER. We know that by heart; we have heard it recited so many times.

Mr. PATMAN. Then you should not be critical, but should be proud of the act, and should be glad to hear it said.

Miss SUMNER. I would rather hear Mr. Jones talk about this bill, not the O. P. A.

Mr. PATMAN. Then the gentlewoman does not have to listen. With all due respect to the gentlewoman from Illinois, it is a situation on which I wanted to answer the gentleman from Michigan. If we had paid in the 51 months of World War II the same prices for the same commodities as were paid during the first 51 months of World War I, our national debt would be $65,000,000,000 more today, or the equivalent of $500 for every man, woman, and child more than it is. That is just on the World War alone; and since the gentlewoman was instrumental in helping pass that law, she should be very proud of that fact.

Miss SUMNER. I voted against the first one.

Mr. PATMAN. She should be very proud of that fact and should want those figures quoted as often as possible, because they support her position in having been in favor of the Price Stabilization Act of 1942. And those figures don't include the savings to consumers, but only savings on the cost of the war to the Government only.

Miss SUMNER. Mr. Chairman, we have this valuable witness here and I think our time would be better served by proceeding with his testimony.

(Following a brief discussion off the record:)

Mr. ROLPH. I would like to make this observation with reference to the situation in Utah. I want to commend you for establishing that steel plant in Utah, because for years we have depended upon Pittsburgh and Birmingham for steel, and the only reason that mill was established in Utah was because of the fact that Mr. Ford brought out that the raw materials are there. And when this war is over, that mill will come in competition with the mills at Pittsburgh and Birmingham, and it will remain to be seen whether they can compete, at that time. There is a market for steel out there, and we hope it will continue. I wanted to straighten that out as a very logical reason why it was established.

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Mr. PATMAN. Mr. Chairman, the other members of the committee want to interrogate Mr. Jones, and I wish to ask that he come back tomorrow morning.

I ask permission to insert in the record some letters and accompanying data, Mr. Chairman.

The CHAIRMAN. Without objection, that may be done.

(The letters follow:)

THE WHOLESALE DRY GOODS INSTITUTE, INC.,
New York City, January 28, 1944.

Hon. WRIGHT PATMAN,
Chairman, House Committee on Small Business,
House Office Building, Washington, D. C.

DEAR MR. PATMAN: Thank you kindly for your letter of January 26, and the assurance that recognition will be given to the Institute's resolution requesting wholesaler representation on the several committees to be responsible for the disposition of Government surpluses as proposed in H. R. 3873.

Very sincerely yours,

THE WHOLESALE DRY GOODS INSTITUTE, INC.,
HENRY MATTER, *Managing Director.*

EXCERPT FROM A LETTER FROM ONE OF THE MEMBERS OF THE AMERICAN RETAIL FEDERATION DATED JANUARY 25 TO DR. CRAIG

I have read with interest your testimony before the House Banking and Currency Committee on the subject of the disposal of Government surplus stocks. As a result of a recent experience, we believe that you should add to your program that publicity be given to successful bidders and the prices paid. This should not only prevent fraud but should also tend to secure higher bids on later sales of the same item where unsuccessful bidders will raise their prices above previous bids, in order to get goods.

We had a recent experience where a bid of ours was returned with the statement that we had been outbid, only to have the merchandise offered to us by the bidder who had been successful at the price at which we had bid. While we make no claim of fraud or collusion we believe it is apparent that publicity of successful bidders and prices bid can eliminate possible losses to the Government.

NATIONAL ASSOCIATION OF MASTER PLUMBERS, INC.,
Washington, D. C., February 1, 1944.

Hon. WRIGHT PATMAN,
House Office Building, Washington, D. C.

DEAR MR. PATMAN: In connection with the testimony of Mr. William J. Lang before the Select Committee to Conduct a Study and Investigation of the National Defense Program in its Relation to Small Business in the United States on January 13, 1944, and the testimony of Mr. W. F. Clucas before the Committee on Banking and Currency on January 20, 1944, we desire to submit additional information which we believe will be of interest.

The witnesses testified that, in their opinion, the present practices of the Procurement Division of the Treasury Department in the disposal of surpluses would have the effect of diverting the materials sold from the regular channels of industry, and would not result in the recovery by the Government of a fair return for the materials sold. These opinions, voiced by the representatives of this association, are borne out by the two tabulations appended to this letter.

The first tabulation gives the details of the bids submitted on January 25, 1944, in Chicago, Ill., in connection with lots Nos. 1 and 2 of certain plumbing and heating materials. In the case of lot No. 1, the selling price was $1,501. The value of the materials sold (manufacturer's normal selling price) was $5,060.03 according to information we received from persons familiar with current prices of such materials. Lot No. 2 sold for $1,000. The value of the materials sold (manufacturer's normal selling price) was $2,812.15.

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At a sale held in Chicago on January 17, 1944, five lots of plumbing and heating materials were disposed of. We shall concern ourselves here only with lot No. 4, as the other four lots consisted of small amounts of material which are not particularly significant. Lot No. 4 was sold for $2,055. The value of the materials sold (manufacturers' normal selling price) was $6,871.15.

Summarizing the three lots above discussed, they were sold for $4,556. whereas the value, as above described, was $14,743.33. In short, the Government received approximately 31 percent of the current value of the materials sold.

It may be of interest to know that among those who bid on the seven lots of plumbing and heating materials above mentioned, only one bidder, as far as we have been able to learn, regularly conducts a full-stocking plumbing and heating wholesale business. We do not wish to describe the business activities of the other bidders for fear that we might inadvertently do them an injustice.

While the writer did not personally attend the two sales above-mentioned, the source of our information is believed to be reliable, and the attached tabulations accurate. The appended material seems to prove the soundness of the views expressed by the two witnesses who represented this association.

Very truly yours,

E. L. FLENTJE,
Executive Secretary.

Treasury Department Procurement Division, invitation and bid for the sale of surplus property

Date: January 13, 1943.
Invoice No. 54-F-3012-1.

File No. 54-F-3012.
Document No. 8PEKQ-1 (R).

[Bids, Jan. 25, 1944]

Bidder	Lot No. 1	Lot No. 2
Metropolitan Supply Co., New York, N. Y.		$1,000.00
Harry Alter, Davenport, Iowa	$1,068.15	211.85
American Plumbing Supply Co., Detroit, Mich.	600.00	350.00
W. J. Lazinski, Milwaukee, Wis.	251.00	
J. B. Clow & Sons Co., Chicago, Ill.	1,501.00	
Value (manufacturer's normal selling price)	5,060.03	2,812.15

Date: January 3, 1944
Invoice 54-F-3031.

File No. 54-F-3031.
Document No. 8PEKQ-1 (kk)

[Bids, Jan. 17, 1944]

Bidder	Lot No.				
	1	2	3	4	5
S. Brottman & Co. (City unknown)	$346.00			$1,428.00	
Seffren Supply Co., Chicago, Ill.	325.00			1,250.00	
B. D. Price Co., Batavia, Ill.				2,055.00	$50.00
Harry Alter, Davenport, Iowa	336.85	$11	$56		665.65
George Koch, Inc., Evansville, Ind.		15			
A. G. Harris Co., Rock Island, Ill.				1,027.89	
Value (manufacturers' normal selling price)				6,871.15	

JOE KAVANAUGH, INC.,
Denver, Colo., February 5, 1944.

Mr. WRIGHT PATMAN,
House of Representatives of the United States,
Washington, D. C.

DEAR MR. PATMAN: Answering your letter of February 1 regarding disposal of Government-owned surplus, I wish to state that last summer the Treasury Department, Procurement Division, regional office in Denver, a Mr. Poole, told me that he could not accept a bid on tires he had for sale, that his instructions were that only manufacturers were allowed to bid.

Thanking you for what you are doing for the small businessmen of the country, I remain

Very truly yours,

JOE KAVANAUGH, INC.,
y J. F. KAVANAUGH, *President.*

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[Wall Street Journal, September 28, 1943]

JONES URGES LOCAL BUSINESS GET CHANCE TO BUY WAR PLANTS

WASHINGTON (Associated Press)—Local business should get the first post-war call for buying the Government's vast war plants and converting them to the private manufacture of peacetime goods, Jesse Jones, Federal Loan Administrator, told the House Small Business Committee.

The Reconstruction Finance Corporation, which he heads, will be ready to finance war plant sales to private industry, he said.

"I don't think the Government should manufacture things for civilian requirements," Mr. Jones said. "But these plants should not be sacrificed or junked. By and large they can be used for manufacturing things necessary to our peacetime economy."

Many of the deals under which the plants were built contain options which give war contractors the right to buy them after the war, he said.

"But local people should have the first call," he continued. "I don't think we should permit the war to further concentrate our economy into big units. We're better off with small units."

Mr. Jones gave the committee a break-down of the Government's huge investment in industrial plants geared to war production. Through their operation, he said, there is no shortage of any strategic materials needed for the war.

JONES SAYS GOVERNMENT SHOULD GET FAIR RETURN FROM SALE OF SURPLUSES

WASHINGTON (Associated Press)—Secretary of Commerce Jones said the public "shouldn't expect too many bargains" in post-war disposal of Government surplus materials.

"We'd better take our time in feeding supplies out, as the demand can absorb them," he told a House public buildings and grounds subcommittee.

The committee is considering how excess equipment and supplies shall be disposed of.

Mr. Jones agreed with Representative Manasco (Democrat, Alabama), chairman of the subcommittee, that surplus materials should be sold at prices that would return a reasonable proportion of their initial cost to the Government.

In disposing of manufacturing plants which have been set up by the Government, Mr. Jones said they should be released without "destroying private business," at the same time preventing "concentrations" in the hands of private enterprise.

He said there was little likelihood of steel companies, now operating plants built by the Government at a cost of $900,000,000, buying or leasing them after the war because of the high initial cost.

Asked what studies had been made looking toward the future of the $650,000,000 Government investment in synthetic rubber plants, Mr. Jones said "no study" had been made.

HAMILTON NATIONAL BANK,
Chattanooga, Tenn., January 24, 1944.

Hon. ESTES KEFAUVER,
House of Representatives, Washington, D. C.

DEAR ESTES: I have read with interest the copy of the hearings on H. R. 3873, and am certainly glad that you are on this committee. It would appear to me that you are going after it in a business-like manner and, at least, the situation should be handled much better than it was 25 years ago.

I think the six broad principles laid down on pages 8 and 9 fairly cover the situation, although it would appear that there is some confusion over the surpluses that might be left in the hands of the contractor. To my mind, there could be no conflict here, for, if the Government paid the contractor and took over finished goods, unfinished goods and inventory, these would automatically pass under the control of the Reconstruction Finance Corporation, as surplus Government property. However, if the Government settled with the contractor and left these materials as the property of the contractor, you can be assured that he will work out the best value possible and protect his own trade or industry as far as possible.

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My experience with the set-up of our Tennessee Reconstruction Finance Corporation office is very favorable from every angle, and if the other States have offices that are comparable, I do not see how you could find a better avenue of disposal, as our local boys have the reputation of getting value received for everything they do. I do not mean by this that they use pinch-penny methods, but they use good common business sense, and their opinions are considered of value by the banking fraternity.

With kind personal regards,

Cordially yours,

W. E. HARRELL, *Vice President.*

The CHAIRMAN. If it is convenient for you to come back tomorrow, Mr. Jones, we would be glad to have you.

We will resume tomorrow morning at 10:30.

(Thereupon the hearing was adjourned until 10:30 the following morning, Tuesday, February 15, 1944.)

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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

WEDNESDAY, FEBRUARY 16, 1944

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Brent Spence, chairman, presiding.

The CHAIRMAN. The committee will come to order. Are you ready to proceed?

Mr. PATMAN. Mr. Chairman, Mr. Jones is not able to be here this morning. His doctor has advised him not to come, and he just does not feel like going through with this.

The CHAIRMAN. In that connection, I have been furnished with a copy of an address of Mr. Jones before the New York Board of Trade on October 1, 1943, which, without objection, I will place in the record at this point.

(The matter above referred to is as follows:)

POST-WAR PROBLEMS—ADDRESS OF JESSE H. JONES, SECRETARY OF COMMERCE BEFORE THE NEW YORK BOARD OF TRADE

For the first time since Hitler invaded Poland in 1939, we are justified in a feeling of optimism about the trend of world news. That does not mean that the war is nearing an end, for there is much tough going ahead. We have hardly set foot in Europe, and every step of the way to Berlin will be won at great cost. When Germany has been defeated we will still have our hands full in the Pacific.

We do have the enemy on the defensive, but the price of victory will still be very, very dear. We do foresee the destruction of the Axis threat to rule the world, and, while the day of victory may yet be further away than we like to think, the day of peace will come.

It is necessary, therefore, that we be in a position to shift from war to peace without too much lost motion in the shifting. There lies the responsibility of business and industry, as well as government.

We must be prepared to give jobs to the men and women now in the armed forces and many others engaged in war work. This is what I mean by post-war planning. There is no mystery about it. It is just as necessary to prepare for peace as it is to prepare for war. They both mean work, and more work; planning, and more planning, as the scene changes.

Many people think that the war slipped up on us, but let's go back and see what we did, looking to the possibilities of war.

Beginning in January 1940, the President asked Congress for more than, $7,000,000,000 to expand our Army and Navy, and Congress voted the money. In his speech before the Congress, May 1940, the President asked that we prepare to build facilities that could construct 50,000 airplanes a year. June 1940, Congress gave the Reconstruction Finance Corporation extraordinary powers to build war plants and buy stock-pile critical and strategic materials. Under this authority, the Reconstruction Finance Corporation has authorized the expenditure of more than $24,000,000,000 for purely war purposes, building plants of all character, and buying critical and strategic materials in all parts of the world, and we have substantial stock piles, including rubber.

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September 1940, Congress passed the Selective Service Act, and October 1940, the President traded 50 over-age destroyers for American air bases on British island possessions. December 1940, the President pledged that the United States would be the arsenal of democracy.

In 1941, at the request of the President, Congress passed the Lend-Lease Act, with an initial appropriation of $7,000,000,000. Aid was extended to Russia. Congress rewrote the draft act and revised the Neutrality Act so as to enable us to maintain the flow of military supplies to those nations fighting the Axis. All of this planning, mind you, was before Pearl Harbor. For a democracy in which only Congress can declare war, we were doing very well in preparation, for what, to the President and Secretary Hull, was the inevitable—war.

Since Pearl Harbor, we have met the demands of total war. We have seen all our forces mobilized. We have seen warfare on a gigantic global scale. We have seen military campaigns mapped out as never before were conceived by the mind of man. We have seen brilliant world military strategy.

We have also seen the stupendous victory won by private enterprise. The achievements of American industry have made possible the conquering march of our armed forces.

These achievements represent the ingenuity, the efforts, and the patriotism of a people nurtured in the philosophy of free enterprise, and trained in the school of private business.

This magnificent contribution by private industry shows what we can do when forced into war, and what we can do in returning to peace.

But we must prepare. We must find new jobs, new markets, new outlets for the vital energies of our people. Our post-war planning must take into account other countries, with particular consideration for those which have been overrun by the enemy. It must include the reconstruction of their enterprise as well as their people. We must literally bind the wounds of a war-torn world.

By this I do not mean that we in the United States can shoulder the whole load. But we must so plan as to give our own people work, and, in cooperation with the other United Nations, be of every possible assistance to the people of those countries which have suffered most.

To be able to help others, we must first be strong ourselves.

This is the challenge that industry and Government will face in the post-war period. Private initiative alone cannot do it. In many instances Government must continue to have a hand in business. It must make investments and take risks where private capital cannot afford to, just as Government had to take the risks and do most of the financing for expansion of our industrial facilities to meet the demands of war.

In addition to the billions spent by the War and Navy Departments and the Maritime Commission in building facilities and equipment for war purposes, the Reconstruction Finance Corporation, through its subsidiary, Defense Plant Corporation, has authorized more than 9 billion dollars for the construction, equipment, or expansion of 1,753 plants throughout the country for the production of war supplies.

These include 534 plants for the manufacture of airplanes, airplane engines, and parts; 84 plants for the production and fabrication of aluminum; 35 plants for the production of aviation gasoline and related products; 116 plants for the manufacture of machine tools; 40 plants for the production and fabrication of magnesium; 60 plants for the mining and production of minerals and metal products; 75 plants for the manufacture of ordnance equipment; 98 plants for the manufacture of radio and other scientific equipment; 65 plants for the construction of ships, ship engines, and parts; 164 plants for the production of iron, steel, and related products; 60 plants for synthetic rubber and the chemicals and materials necessary to its manufacture; 14 plants for the manufacture of jewel bearings and diamond dies; 43 for the production of hemp and rope fiber. We have built 6 pipe lines for the transportation of petroleum products.

I enumerate these to indicate the extent to which Government is in business, and some of the industries in which it has a large stake. Thus, it is clear that Government and business must find a solution which will be fair to both.

When the war is over, Government should get out of active industry as soon as it can, without too much unnecessary loss. And business will do well to recognize the taxpayers' investments when negotiating for Government-owned plants, properties, and supplies, and not expect too many bargains.

Many of our war plants can be converted to the production of peacetime requirements, and to avoid monopolies and too much concentration, local people should have the first call on such plants. A substantial amount of our excess plant facilities and supplies can very properly be used in other countries.

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Obviously, what to do about Government-owned facilities and supplies will be a matter for the President and the Congress to determine. The solution will not be an easy one, and those of us in administrative positions, aided by business and industry, must present plans, suggestions, and ideas that will be helpful to them in making their decisions. The future of our economy will depend, in substantial measure, on how the post-war world is organized.

Personally, I have stated, and here repeat, that I have no fear but that Government will deal fairly with industry, because I am convinced that our people want to maintain the principle of free enterprise which is the foundation upon which our economy has been built.

But until the day of victory we must bend our backs to the production needed for war. We must not let the military advantages we have won fool us into thinking that the war will soon be over. False optimism that slows down the flow of materials which we must maintain to every fighting front will result in the loss of many thousands of lives.

Our men are fighting wherever duty calls them. They are supporting our highest patriotic traditions. They are offering their lives that our country may endure. They ask no questions and shirk no duty.

They only demand of us that we supply them with things to fight with, and bring them back to the kind of country they left and that they are fighting for. We at home would be unworthy of the sacrifices they make if we fail them.

If we are to judge by the results of polls, by expressions in Congress, by the editorial opinion throughout the country, the public view has shifted radically in the last 3 years in favor of political and military collaboration with other nations for the preservation of peace. Whether public opinion has shifted, in the same sense, in the direction of post-war international collaboration in the economic field is not so clear. Yet, it is apparent that political and military arrangements cannot preserve peace if we have economic warfare.

Therefore the good-neighbor policy which, with the approval of the President, Secretary Hull has been developing these past 10 years, will become of increasing importance.

In the decades prior to the depression we were too busy supplying our own needs to properly develop our foreign trade.

With some rare and very successful exceptions, American businessmen had regarded foreign trade as a byproduct. They had not made the same effort to cultivate and advance it that other nations did. This was particularly true on this hemisphere.

The war has emphasized that the nations of the Western Hemisphere should develop their trade relations and further cement the ties that now bind them together.

In doing this we cannot expect our neighbors to deal with us if we do not attempt to meet and anticipate their needs. We must supply them with what they want—not just what we want to sell them. And we must be prepared to develop markets for them in this country.

That is the way in which American business can back up our Government in the furtherance of the good-neighbor policy.

The opportunities which will open with the coming of peace are almost inconceivable.

There are few enterprises which will not face tremendous demands. Take our own country alone. We need new houses, new roads, new automobiles, household appliances, furniture, refrigerators, gas and electrical appliances, et cetera. These constitute just a few of the items which will be needed in vast quantities. If we save our War bonds as a nest egg, we will be able to buy the many things we have been denied during the war.

We shall have a healthy infant industry coming to maturity in airplane travel and shipping.

There is probably not a State, county, or municipality that will not need to extend or repair its facilities—schools, streets, waterworks, sewerage, fire protection, et cetera.

Railroads and bus lines will need to repair and replace their equipment.

Then there will be the reconstruction problems in the countries that have been overrun. And people in the farthest outposts have learned that there are new things to be had that will improve their standards of living.

The United States will be called upon to supply goods and services for many parts of the world. Business and Government will cooperate in this great task. The Department of Commerce, established to foster and promote the trade and commerce of our country, will be available to business. It will represent business

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in Government. In my opinion, we have nothing to fear in an economic sense if we carry into the future the confidence and courage with which we have always met any situation.

ADDRESS OF JESSE JONES, SECRETARY OF COMMERCE, ON THE WASHINGTON EVENING STAR RADIO FORUM

My thanks to the Washington Evening Star Radio Forum for giving me this opportunity to discuss some of our present-day problems with you and, more particularly, some that will confront us when the war has been won.

I will first talk a little about Government-owned manufacturing plants and industrial facilities which it has been necessary to build in the war effort. Many billions of dollars have been invested in these plants. Some of them cannot be used for peacetime pursuits, but many of them can, with some rearranging. The wisdom with which we consider and determine the future utilization of these Government-owned plants will have a great influence on our economic future. It will be a real problem and one that Congress, the executive branch and all the rest of us will have to consider.

In these past 3 years our Government has spent probably 25 billion dollars in building plants and facilities of one kind and another. The title to most of these properties is in the Government, Much of this money has gone into purely military construction—things for which we can have only slight use after the war, but a great deal of it has gone into plants, shipbuilding and industrial facilities which can be employed after the war, and which will have to be employed if we are to keep people at work and avoid a depression that might threaten our whole economy. My own view is that we will have the wisdom to handle and use these facilities to do many things that will further improve our standard of living, and to assist other countries.

The Reconstruction Finance Corporation, through its subsidiary the Defense Plant Corporation, has alone authorized the expenditure of approximately $9,000,000,000 for the construction of plants and manufacturing equipment needed in the war effort. In addition, it is spending large sums for the development and production of raw materials.

Obviously, we cannot afford simply to write off all of this war expansion as a total loss, and it will not be necessary. We must save every bit of it that can be saved and use it in rebuilding our economy. There will be need for some of it in the rehabilitation of countries that have been overrun by the enemy, and some to replace less modern facilities, both in our own country and in other countries.

How much of it we can use to advantage and how much can be used for rehabilitation of other countries and on what basis are matters about which we should be thinking now. The Congress, which will have the greatest responsibility for establishing a general policy, has created a Committee on Post-War Economic Policy and Planning under the chairmanship of Senator Walter George, of Georgia. Various elements of the executive branch of government, such as the White House, the Reconstruction Finance Corporation, the Bureau of Foreign and Domestic Commerce, and the War Production Board, are analyzing the situation carefully. Business and industry, under the sponsorship of the Department of Commerce, and the Committee for Economic Development, are dedicated to the maintenance of full employment after the war, through the utilization of our expanded industrial machine. Other organizations are studying post-war problems.

The responsibility of the Reconstruction Finance Corporation, because of the fifteen hundred-odd plants of various kinds which it has built and financed, will be very great. Many of these plants are leased to industrial operators for the period of the war, and many of them are operated by industry for account of the Reconstruction Finance Corporation. In the former, Reconstruction Finance Corporation gets a satisfactory rental or other compensation for the use of the plant, and in the latter, the operator gets a fixed fee for his services in operating the plant. As long as the war lasts, there is no question as to their need. They will be manufacturing the things we must have to fight the war, either as basic materials or finished products.

But, when peace comes, these plants, with the millions of servicemen and women and war workers, will constitute the principal problem in our post-war economy.

Many of my listeners probably do not realize the extent to which Government has financed expansion in many industrial fields.

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Defense Plant Corporation, a Reconstruction Finance Corporation subsidiary, has spent approximately $1,000,000,000 in expanding the country's steel production. This includes a complete steel mill, from ore to finished products, located at Geneva, Utah, costing $190,000,000. The plant is just being completed and will be operated for account of the Reconstruction Finance Corporation by Geneva Steel Co., a subsidiary of the United States Steel Corporation. We have built a $100,000,000 steel plant at Homestead, Pa., which is leased to Carnegie-Illinois Steel Co. for the period of the war. We have built a steel mill at Chicago costing $85,000,000. This mill will be operated by Republic Steel Corporation. We have built 120 smaller steel plants and additions to plants in connection with privately owned steel plants. Title to all of these is in the United States Government.

We have built and own 9 plants for the production of aluminum having an annual capacity of 1,200,000,000 pounds of aluminum. This is more than the capacity of all privately owned aluminum plants. We have built and own 45 plants for the fabrication of aluminum. Our investment in aluminum facilities aggregates $760,000,000.

We have invested approximately $430,000,000 in plants for the manufacture of magnesium, which is an even lighter and stronger metal than aluminum. Private industry will own only about 8 percent of the total magnesium production of the country.

So obviously the Government will be in a position to smother private industry in the manufacture of magnesium, and also to dominate the aluminum industry, because Government alone will have more than enough capacity to supply the entire peacetime needs for aluminum. These situations will require wisdom, and fairness by Government, otherwise private investments in these industries would be destroyed.

In steel, Government will only own about 10 percent of the total capacity of the country, but even that will be enough seriously to affect the industry, because the steel industry of the entire country has operated over a period of 20 or 25 years at only 60 percent of capacity. Therefore, the Government plants, operated at full capacity, would absorb approximately 20 percent of the total requirements for steel.

In rubber, the Government will have an investment of $625,000,000 in plant facilities, sufficient to manufacture more than 800,000 tons of synthetic rubber annually, which is one-third more rubber than we have ever used in peacetime.

It is not reasonable to suppose that we will rely entirely upon synthetic rubber after the war, but we will need to maintain and operate the most efficient of these plants and produce a very substantial amount of our rubber requirements, so that never again will we be wholly dependent upon outside sources for rubber.

Another very important industry in our economic life in which the Government will have a substantial stake is the machine-tool industry, that is the manufacture of machine tools. The lack of sufficient machine-tool manufacturing facilities was one of the most serious problems confronting us at the beginning of the war. The Reconstruction Finance Corporation expanded this industry and will own almost one-half of the country's machine-tool manufacturing facilities. There again, the fate of this industry will, in large measure, depend upon the wisdom and fairness of Government.

Our biggest investment in manufacturing facilities for a single industry is that of aviation. We have built and own 521 plants for the production of aircraft, aircraft engines, parts, and accessories, at a total cost of $2,700,000,000. This is 10 times the value of privately owned investments in this industry. Here again will be a very serious problem, and the people in this industry are already worrying about what will happen to them when the war is over.

Another important and vital thing we in the Reconstruction Finance Corporation have been called upon to do has been financing and building facilities for the manufacture of high-octane aviation gasoline, and the construction and operation of pipe lines to bring petroleum and its products from the Gulf Coast country to the eastern seaboard.

We have financed the construction of 50 plants for the manufacture of high-octane aviation gasoline, at a cost of $500,000,000. Twenty of these plants are owned by the Reconstruction Finance Corportaion.

We have built and are building 3,800 miles of pipe lines, at a cost of $180,000,000. The most important of these is the big 24-inch line running from Longview, Tex., to Philadelphia and New York, a distance of 1,500 miles. This line has just been completed at a cost of $95,000,000, and will have a capacity of 300,000 barrels of crude oil a day. It is owned by the Reconstruction Finance Corporation and operated for its account by men in the oil industry.

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Before the war, petroleum and its products were brought from the Gulf coast to the East by ocean tankers, but so many of our tankers were transferred to foreign duty and the remainder so harried by submarines that a major part of our oil had to be transported in tank cars by railway.

In the adjustment of all these problems, I have no fear but that Government will deal fairly with industry, because I believe that the people of our country want to maintain the principle of private initiative and private enterprise, which is the foundation upon which our country and its freedom has been built.

There will, of course, be differing opinions. No doubt some will advocate that Government stay in business and operate the facilities with Federal funds. Others may urge that we scrap a large part of this war expansion in order to remove undue competition. Still others will be looking for bargains, hoping to buy from the Government at sacrifice prices.

We should, of course, be on guard against undue pressure from any of these groups, for if there ever was a question which must be settled in the national interest, it is the future utilization of this vast new industrial empire.

Where any industry is able to absorb Government facilities in its line, on a basis fair to Government, that policy should be adopted, the Government selling or leasing the facilities on fair and reasonable terms. In those industries where Government facilities approximate or far exceed those in private hands, the solutions will be more difficult. For example, we very easily could destroy private investments in the aviation industry, but certainly we should not, and will not.

And then there is syntheric rubber. We will own all of this industry, and Congress must determine how much of it we will maintain. Certainly, we should never again be entirely dependent upon foreign sources of rubber.

Now a word about some of our immediate problems. I am afraid we are falling into an attitude of complacency—over-confidence—believing that the war will soon be over. Nothing could be more disastrous or needlessly sacrificed more human lives than any such assumption. It is true that our fighting forces have given us good news in recent weeks, but in reality, so far as we are concerned, the war is just beginning. After 19 months of fighting, we have not yet set foot on continental Europe, and we are far from Tokyo. True, we are in Africa and Sicily, and a few small islands in the Mediterranean, but that is a far stretch from Berlin, with much rough going ahead.

We must not be misled by present successes, and we must not forget that we are fighting against the odds of very great distances—4,000 miles across the Atlantic and 7,000 miles across the Pacific. That is, to fight in Europe, we must transport troops and maintain supply lines across 4,000 miles of submarine-infested waters. In the South Pacific and in China we must transport troops and maintain supply lines across 7,000 miles of submarine-infested waters. To get supplies to Russia, we must cross 5,000 miles of submarine-infested waters.

To be sure we will win, but all the foregoing will exact a heavy toll, not only of our manpower and our shipping, but of our supplies of food, equipment, and other things necessary to our fighting forces; and at the same time will cause those of us at home to tighten our belts and get along on much less than we have been accustomed. Our sacrifices, insignificant as they are, compared to those of the men who bear arms for us, may have to last for a long time yet, and be borne cheerfully. We cannot pamper ourselves without depriving our military forces. There are no reserves of civilian supplies, and every restriction with which we are faced, and will be faced before the job is done, is absolutely essential to victory. We are having to do without many things to which we are accustomed, and as a government are doing many things foreign to our traditions. We should remember that war itself is foreign to our way of life, and that when we are forced into war, we are bound to take actions that are contrary to every American custom.

That there could be shortages in our land of plenty is not easy to realize. Rationing turns our world upside down. Price controls strike us as economic heresy. Subsidies shock us. Yet without these we would have more disorder than any of us can well imagine.

We would have chaos instead of order and real want rather than inconvenience. Each new control that it has been found necessary to adopt has annoyed us, and our first cry is that it won't work, that it is not necessary, but control, even though imperfect, has helped to make our available supplies go around, and has contributed to hold down inflation.

Today the question of subsidies is disturbing, but they seem to be the only logical and effective way of "holding the line" on the cost of living. We should not let prices get out of hand, even if we have to tax ourselves to prevent this calamity. Let us remember that there are millions of wage earners, town, city, county, State, and Government employees, including school teachers, whose

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salaries are fixed by law and cannot be raised, and there are others of the white-collar group, clerks and other store employees, bookkeepers, stenographers, and office workers. There are the people who work in laundries, hotels, elevator operators, janitors, chore workers, watchmen, etc. These people have no room in their budgets for increased costs. The minds of many persons dwell on the larger income of war workers, and they forget the plight of the far greater number who have to try to make every dollar go just a little bit farther when there is a price increase. Subsidies, insofar as they serve to keep prices in line, will benefit those who cannot pay more, as well as those who can, and the cost will be relatively small.

Government is spending $2,000,000,000 a week for all purposes. One week's expenditures applied over a year's period to subsidies on a few foods necessary to a sustained diet would make it possible for these low-income groups to get along much better.

All such problems—and there will be many others—must be decided in the light of two considerations: The over-all common good and victory.

Mr. PATMAN. Mr. Chairman, I would like to suggest this. I think we can all agree to leave out real estate and only let the bill apply to movable property. If that is done, it will probably be unnecessary for Mr. Jones to be here any more, because it seemed like the controversy arose over the disposition of these plants, and of course plants are a part of the real property. And I was hoping maybe we could have an informal discussion this morning and have an executive session tomorrow, and maybe see if we can report out the bill.

The CHAIRMAN. Have you any witnesses this morning?

Mr. PATMAN. Yes, sir, Mr. Frates.

Mr. KEAN. With reference to your suggestion, Mr. Patman, did Mr. Jones indicate—I could not find it in the testimony yesterday—that he, as representing the R. F. C., would be willing to undertake the responsibility for this work?

Mr. PATMAN. Yes; he said that.

Mr. MONRONEY. I do not think Mr. Jones' testimony was all pointed at the real estate and plant stuff, and if we could wait two or three days and then center our questions to Mr. Jones on the thing you want the bill to have to do with——

Mr. PATMAN. Movable property.

Mr. MONRONEY. Movable property and consumer goods—I think we need a little more testimony for the record. The bill appears to be a good one to me, but I would like to have Mr. Jones build up our case a little bit; because, after all, if he is going to have to run this thing and I do not want to put it on him if he does not want it.

Mr. DILWEG. Also, Mr. Patman, I think he left a definite impression here that this thing is a little premature.

Mr. PATMAN. No; I did not judge that.

Mr. DILWEG. Let me finish my statement. That is the impression he left with me. Now whether or not he referred to the disposition of plants rather than surplus property that had been processed, I do not know. So I think we ought to have an opportunity to have him return here and be subject to questioning by members of the committee.

Mr. PATMAN. Well that is something, of course, the committee will have to decide. If they want to arrange it that way, that is satisfactory as far as I am concerned.

The CHAIRMAN. Do you have any witness this morning?

Mr. PATMAN. Yes, Mr. Frates.

The CHAIRMAN. I suggest his testimony be placed in the printed report after the testimony of Mr. Jones, if we call him back.

Mr. PATMAN. That is right.

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The CHAIRMAN. So that the testimony of the Secretary will be connected.

Mr. PATMAN. I would like Mr. Frates to identify himself and at least read the first two paragraphs of a statement in which they mention specifically this bill. Now, Mr. Frates, will you give the reporter your name?

STATEMENT OF GEORGE H. FRATES, WASHINGTON REPRESENTATIVE, NATIONAL ASSOCIATION OF RETAIL DRUGGISTS

Mr. FRATES. Mr. Chairman and members of the committee: My name is George H. Frates. I am Washington representative of the National Association of Retail Druggists. I appear in behalf of Mr. John W. Dargavel, executive secretary and general manager of the National Association of Retail Druggists.

Mr. PATMAN. Mr. Frates, suppose you read the first two paragraphs of your statement which you showed me.

Mr. FRATES. I am grateful for the opportunity to give the committee the position of the National Association of Retail Druggists on H. R. 3873. Our association speaks for 30,000 retail druggists distributed among all the States of the Union and the District of Columbia. Our members operate what are known as independent stores.

With your permission, Mr. Chairman, I would like to file this brief in behalf of the National Association of Retail Druggists.

The CHAIRMAN. Without objection, it may be filed.

Mr. CRAWFORD. Mr. Chairman, you did not mean he could not be interrogated?

Mr. PATMAN. No; if you want to interrogate him, he would be glad to answer questions.

The CHAIRMAN. If the committee wants him to read his statement, we will let him read it.

Mr. MONRONEY. I would like to hear what he has to say about it.

Mr. FORD. I think in questioning him we would have a better opportunity if he read his statement, so that we would know exactly what his viewpoint was in some detail.

The CHAIRMAN. All right, Mr. Frates, you may proceed.

Mr. FRATES. As we see it, there are three parties who are, or should be interested in this measure: (1) the taxpayer, (2) the consumer, (3) the distributor. The taxpayer is interested in getting as much as possible out of Government surpluses, in order that the net cost of the war may be kept as low as possible without impairing the war effort. The consumer is interested in buying these goods in his own community and his own store, from legitimate dealers and not from gyp merchants who would mislead him as to their quality or value. The distributor wants the opportunity to acquire his share of these goods so that they may pass to the consumer through regular channels and not be used by fly-by-night dealers to disrupt and destroy his business. These ends would all be served by the passage of this bill.

Let us first consider the taxpayer's angle. The cost of this war is going to be high enough, so that everything possible should be done to prevent waste by disposal of Government surpluses at ridiculously low prices. We know that after World War I Government property was sold for a song, and none profited from it except speculators.

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Two things, which this measure seeks to correct, were responsible: (1) There was no one agency through which the disposition was made. The Army, the Navy, and every other department which had excess inventories sold what it didn't need, having no means of knowing whether the same kinds of goods might be needed, and were being bought, by some other branch of the Government.

When one branch buys dear and another sells the same kinds of goods cheap, it doesn't require a certified accountant to figure out that the Government loses. And the losses are not small, for in these days of global war, the Government's transactions run into big figures. Furthermore, these departments handle such sales in a very unbusinesslike manner. Often the officials making the sales know little or nothing about the goods they are selling, or their value. They can't know, because the variety of goods handled by each department is too great, and each department cannot have a sales department for each kind of goods. The Army might have surpluses of both power lathes and medicinal drugs. There is no reason to assume that the man who knows lathes would know drugs, or vice versa. If you center responsibility for all sales of Government surpluses in one place, you make it practicable to employ men who are specialists in each major classification of goods and to set up competent committees to advise them.

(2) Another thing responsible for the Government's failure to get for these surplus goods what they are worth is the practice that has been followed of offering a large and heterogeneous assortment of goods and asking for bids on the whole stock. The would-be buyer is asked to take it or leave it. The instance was cited of offering, in one lot, 82,000 yards of assorted fabrics ranging from denim to broadcloth. There is not a store in the country that could use that lot. Certainly no tailoring establishment, even the largest, would be interested because if it used broadcloth it would not be likely to be interested in denim, to say nothing of gingham and poplin.

The result is that when a man bids at all, he must bid low, for he must look forward to peddling the different parts of the consignment to the different classes of manufacturers and merchants who could use them. There is no man in the whole scheme of distribution who makes it his business to do that except that irregular tradesman who is known as a scalper or speculator. And remember this: No speculator ever pays for goods what they are worth.

The Government, the taxpayer, cannot help being gypped so long as surplus stocks are disposed of in that way. If the Government is interested in salvaging as much as possible out of this wasteful thing, war, it must set up one responsible organization which will regard the disposal of surplus stocks as its sole duty and not as an incident to other duties, as provided in this bill. Such an organization may be a part of the R. F. C. or some other existing Government department; but the organization must be set up for a specific purpose, must have a specific responsibility, and must be staffed and equipped to perform its duties efficiently.

Not only the citizen as a taxpayer, but the citizen as a consumer is interested in this bill. I need not tell this committee that there are shortages of consumer goods, and naturally those shortages are most acute in the categories required by the armed services. Properly

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the armed services have the first call. But when the armed services find themselves with surpluses which they can't use, every effort should be made to get them back into the regular channels of trade, where they will most quickly, most generally, and therefore most fairly, be made available to the greatest body of consumers.

This is not done, and cannot be done, under the present hit-and-miss methods of disposal. After heterogeneous assortments of merchandise get into the hands of speculators, they have to be broken up into salable lots, and that takes time. Perhaps lots of identical or similar merchandise first have to be assembled from the surplus stocks of different Government departments. Inasmuch as these may have passed into the hands of different bidders, the problem is greatly complicated, and the chances that goods may never be collected into efficiently handled lots are increased.

Out of this kind of confusion can never come an orderly distribution of Government surplus stocks to the consumers of the country. The most that can be expected is that such goods will be made available to scattered communities, in undependable quantities, and sporadically. This is not doing justice to the consumers generally.

Here is another thought. A system of distribution which tends to channel goods into irresponsible outlets encourages fraudulent merchandising. Advantage is given to the fly-by-night operator whose interest is not in serving the consumer, but in deceiving him. Most often these goods find themselves into so-called Army and Navy stores which have no connection with either the Army or Navy, or Federal Surplus Stores which are not Federal and which often use surplus merchandise only as a decoy for drawing customers for unserviceable and unsalable merchandise that never formed a part of Government stock.

Finally I come to my third and last point, which is that the passage of this bill is of great importance to the distributor—to 1,700,000 of your fellow citizens who are engaged in the business of merchandising goods. It may seem selfish for the representative of one of the most important of the retail groups to make this point, but I believe I can avoid the charge of being a biased witness by calling your attention to the fact that the retail pharmacist is perhaps, of all retailers, the least affected by the competition of Government surplus goods. So far as I know, the Government has not had much surplus of the kinds of goods generally handled in drug stores. Drugs and chemicals are in the scarcity column, and quite likely they will be needed for rehabilitation work in Europe and elsewhere, and in veterans' hospitals and other public institutions, after the war is over. Furthermore, most drugs and chemicals used in war are prescription items that may be dispensed only by physicians and registered pharmacists, and therefore could not be handled by the so-called outlet stores.

But we are interested, because many drug stores do handle some of the types of goods which may be made available, and because, as retailers, we are concerned for an orderly development of retailing generally.

The 1,700,000 retailers of the country have responsibilities and obligations to their respective communities; they pay taxes, they have been instrumental in selling billions of dollars' worth of War bonds, they support local charities and other welfare activities, in a large measure they sustain the life and progress of their cities and villages.

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They should not be weakened by the impact of unfair competition; their business should not be ruined by ill-considered dumping of Government stocks.

We are members of the American Retail Federation, and in general we approve the statement of Dr. Craig before this committee. There is one recommendation that he made with which I do not wholly agree, however. He suggested that Government surpluses be divided into lots small enough to be sold to individual retail merchants, and that these be sold to the highest bidders by lot. Fair and just as this proposal is, I cannot convince myself that it is practicable. It would, it seems to me, lead to too much confusion in the department, and it might so delay the disposition of the stocks that the whole scheme would have to be discontinued. If not discontinued, it would probably lead to the disposition of stocks at the unconscionably low prices that have disgraced and discredited dispositions in the past.

Rather, we would recommend that the stocks be offered to the manufacturer from which they were purchased, at a price enough lower than acquisition cost to compensate the manufacturer fairly. The margin of discount could easily be ascertained if the department were aided by an advisory committee of men experienced in the trade. The manufacturer would be the more willing to accept a return of his goods on such a basis if the regulations were to provide that in the event of his failure to repurchase, the merchandise would be offered to wholesalers.

If this plan were followed, retailers, large and small, would have a fair and equal chance to obtain a share of the merchandise without entering individual bids—a procedure for which the average retailer is poorly equipped and which would inevitably involve the Government in administrative details which it is not able to handle.

Let me thank the committee for the careful and sympathetic attention it has given to this bill. It is an important bill, and we earnestly ask you to recommend its passage. Thereby you will serve the taxpayer, the consumer, and the distributor. In short, you will serve the Nation.

Mr. CRAWFORD. Mr. Frates, you appear primarily in behalf, then, of all retailers; is that right?

Mr. FRATES. Of the Independent Retail Druggists.

Mr. CRAWFORD. Are there any supplies of any consequence going into the market from Government surplus stocks at the present time?

Mr. FRATES. Not to my knowledge.

Mr. CRAWFORD. In other words, you feel no competition from that source at the present time?

Mr. FRATES. No, sir.

Mr. CRAWFORD. Has your group made any study, or have you seen any figures gotten up by other groups, showing the approximate quantity and dollar value of goods that might be thrown onto the market at the termination of hostilities?

Mr. FRATES. No. We have had some figures collected from various trade papers and journals that might throw light upon that, but I do not have them at my memory's end.

Mr. CRAWFORD. I have not seen any figures at all in connection with this particular phase of our task, and I was anxious to get something on it. I wonder if you would have anything that would

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worth while to put into the record as a supplementary statement, showing that.

Mr. FRATES. First, of all, I might say there is a shortage of many drugs; for instance, quinine, some of the sulfa drugs, totaquina, and cinchona. Therefore, it would seem plausible to believe there would be no surplus of that stock.

Mr. CRAWFORD. That there will be no surplus?

Mr. FRATES. There will be no surplus of that type of drugs that the Army or Navy would have.

Mr. CRAWFORD. You were not here day before yesterday morning, were you, when Mr. Jones was before the committee?

Mr. FRATES. Yes, sir.

Mr. CRAWFORD. Did you hear my interrogation with respect to the disposition of the Defense Supplies Corporation?

Mr. FRATES. I did, sir.

Mr. CRAWFORD. In connection with stock-piling in the post-war period?

Mr. FRATES. Yes, sir.

Mr. CRAWFORD. Have you heard any gossip among the drug people and your associates generally with respect to what disposition the Government will have in a continuation of stock-piling, in the post-war period, of these highly strategic medicines to which you have referred?

Mr. FRATES. I have heard, but it is pure hearsay and perhaps could not be predicated upon fact, that we are building up stock piles for the third world war.

Mr. CRAWFORD. Well, let us think of that in terms of a military war and also a trade war. Could you give us any information worth while with respect to the attitude of the Government in holding those stock piles for economic warfare of any kind?

Mr. FRATES. No, sir.

Mr. CRAWFORD. Your statement is probably directed toward military warfare?

Mr. FRATES. That is right. No, sir; I do not believe I have ever heard anything like that. I do not think it is the intention of the Government to go into competition with independent merchants.

Mr. CRAWFORD. I can say that this question of post-war stock piling is a very hot issue in the minds of the representatives of many countries whose representatives are now in the city of Washington, and I was hopeful we might develop in these hearings something of benefit to the committee with reference to the attitude of our representatives who were in charge of this Federal program, with respect to maintaining stock piles.

We face the situation—and certainly you retailers are interested in this—where the question of stabilizing prices in the post-war period, retail prices as well as wholesale prices, as well as international exchange, is involved, and I would like to know, if you are prepared to say so, whether or not your people feel there is any direct connection between the handling of these stock piles incident to the Government surplus and the stabilization of foreign exchange, using the monetary approach and the stock-piling approach in stabilizing price levels in the post-war period? Have you had any discussion on that question among your people?

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Mr. FRATES. No; we have not.

Mr. CRAWFORD. You will have one great section of organized society that is disinterested in the price level; you will have another group interested in a low price level—I am talking about world society now.

Mr. FRATES. Yes.

Mr. CRAWFORD. You will have another group interested in maintaining a high price level incident to full employment and high production. Now we happen to be in the last group. It is my judgment England will be in the middle group and Russia will be in the first group, and I have gained the distinct impression that stock-piling incident to these surplus war materials to which this bill applies will necessarily have to be connected with the different monetary policies that may be recommended by this committee incident to the stabilization of international exchange, and I was hopeful you might give us some expressions on that from your group.

Mr. FRATES. Mr. Crawford, any expression I might give you would be purely personal and would not represent my organization.

Mr. CRAWFORD. That is all.

Mr. PATMAN. Thank you, Mr. Frates; you have made a very interesting and comprehensive statement.

Mr. FRATES. Thank you.

Mr. FORD. Mr. Chairman, I would like to make a comment on Mr. Patman's idea of closing these hearings quickly. I think it is not only surplus merchandise that we are interested in, but there are a lot of other things that have to be disposed of, a lot of ships, a lot of planes and a tremendous amount of real estate, and a lot of strategic metals and minerals, some of which it probably will be found advisable later to put into stock piles to hold for possible future trouble. But the shipping is going to be a very hot problem, because we have millions of tons of ships and I do not conceive there will be any exchange of goods between the countries of the world that will possibly require all of them, and there is going to have to be something done about the disposition of the ships like we did heretofore, and I think we ought to hear from Mr. Bland, Admiral Land, and some of the others as to just what they think ought to be done with those things.

Mr. PATMAN. There are two ways we can do that, Mr. Ford. Admiral Land testified before the Committee on Small Business and he made a statement on that which would answer most any question you can raise, and we could either make that testimony a part of our hearings or we could call Admiral Land. And the Under Secretary of War, the Honorable Robert P. Patterson, also testified before our committee and made a very fine statement about what should be done, and endorsed a central agency.

Mr. FORD. In that case, I would suggest that those statements be made a part of the record, because both Admiral Land and Mr. Patterson are busy and are being hauled before different committees every day, and there is a good deal of talk about absenteeism and the loss of manpower, and I can see where a lot of loss of manpower arises where we keep them for 2 or 3 days away from the things they ought to do and cannot do, and naturally there is a slowing up by their not being able to give orders to keep things moving. So that if there is

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a comprehensive statement from them in your hearings, I would suggest it be incorporated in our hearings.

Mr. KUNKEL. I suggest that Mr. Patman take those statements and prepare excerpts and put them in the record right at this point on that subject.

Mr. PATMAN. May I have that privilege, Mr. Chairman, and to include such statements as we have had before the Small Business Committee? Mr. Ford brought up a very interesting thought, and I want to say our Committee on Small Business has been very cooperative, I think, with these different agencies.

You know these people who occupy policy-making positions are very busy, very busy, and I think any committee should be very careful about bringing them up and requiring them to stay here and spend a lot of time, unless it is absolutely necessary. For that reason, our committee has been very careful to make sure that the time agreed upon would be the most convenient to them; because, after all, they have a lot to do with the running of this war.

Now yesterday, I understand, a self-organized group of Members of Congress, having no official standing at all, just called up Mr. Patman and Mr. C. E. Wilson, as well as Mr. Maverick, and half a dozen or more of the very important officials of our Government, and kept them here practically all day. It occurs to me that is going rather far. Even when a standing committee or any select committee calls them, that is bad enough unless the time agreed upon is the most convenient time for them to be called; but when you call half a dozen of the most prominent people in our Government and make them stay here all day long, that is going rather far.

Mr. DILWEG. May I ask, provided you do insert the testimony given before the Small Business Committee, that we reserve the right to interrogate the witnesses here, if we feel that is necessary.

Mr. PATMAN. Certainly; yes, sir.

Mr. FORD. And right in that connection, is not the W. P. B. in this picture, too? There has been some statement made by Mr. Nelson——

Mr. PATMAN. Mr. Nelson testified before our committee, too.

Mr. FORD. Well I would like to have his testimony.

Mr. PATMAN. We will put his statement in, also.

(The material submitted for the record by Mr. Patman appears in the appendix to this volume under the title "Appendix I. Exhibits Presented From Hearings Before the Select Committee on Small Business of the House of Representatives.")

Mr. FOLGER. Mr. Chairman, at that point, if you will allow me, I would like to put into the record a statement by Mr. Nelson in regard to "small plant reconversion urged first by Nelson—W. P. B. chief said to be concerned over extent of cartelization." I am interested in that.

Mr. PATMAN. When was the statement made?

Mr. FOLGER. Saturday.

Mr. PATMAN. I was down there and it was a small war plant regional meeting, a kind of meeting of their regional directors, and Mr. Nelson did make a very fine statement in that respect.

Mr. KUNKEL. Mr. Folger, if you are going to do that, why do not you get Mr. Nelson's statement instead of putting in a newspaper excerpt?

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Mr. FOLGER. For the reason Mr. Ford suggested, if we can do it, not to waste their time in calling them before the committee.

Mr. KUNKEL. I mean to get a copy of his speech, rather than what somebody thinks he said.

Mr. FOLGER. Well this has something in it, too, about what others said, in relation to what I am afraid of above everything else, that is, that we are going to fall into the most monopolistic era the world has ever seen if we do not watch out.

Mr. KUNKEL. I do not think we ought to put second-hand material in if we can get first-hand material.

Mr. FOLGER. Technically and legally, that is all right, but the chairman has already allowed it.

(The matter submitted for the record by Mr. Folger is as follows:)

[The Washington Post, Sunday, February 13, 1944]

SMALL PLANT RECONVERSION URGED FIRST BY NELSON

WAR PRODUCTION BOARD CHIEF SAID TO BE CONCERNED OVER EXTENT OF CARTELIZATION

(By Ben W. Gilbert)

Apparently concerned that big business might use the reconversion period to cartelize American industry, War Production Chief Donald M. Nelson urged yesterday that small business be given a chance to reconvert to peacetime production ahead of larger producers.

"The most important single thing we face is the future and fortune of small business in America," Nelson said at a meeting of the 14 regional directors of the Smaller War Plants Corporation. "Small business is more important to this Nation today than ever before in the history of our country."

PRESERVATION VITAL

In an earlier statement, Nelson had said, "It is vital that we preserve the structure of independent small-business enterprise during the coming period of economic readjustment."

A spokesman for Nelson explained that the War Production Board Chairman feared that cartels would develop if industry were allowed to set up its own reconversion plans. Nelson is confident, it was said, that the danger of cartels can be removed by Government preparing the reconversion plans—necessarily in consultation with business—provided steps are taken to protect little business.

Nelson is convinced, it was said, that this Nation will have a healthy post-war economy as long as it is based on sound competition. He is said to oppose division of markets in accordance with arrangements prevalent in Europe.

INVITATIONS TENDERED

One source revealed that invitations to join British cartels have been tendered some American business interests.

Differences of opinion within the Government as to the extent of cartelization that may be desirable during the post-war period is one of the factors delaying a decision on the agency that should handle reconversion and the manner in which it should be done.

A number of plans have been developed, generally with the idea of developing an administrative structure that would bring an official with one point of view or another to the fore. Many of these plans have been under review by Bernard M. Baruch, 73-year-old financier, who is preparing a report on reconversion for War Mobilization Director James F. Byrnes.

(One such proposal involves the creation within War Production Board of a reconversion committee under the chairmanship of War Production Board Vice Chairman Donald Davis with representatives of the War, Navy, and Treasury Departments, and Maritime Commission.)

(Other plans call for the granting of reconversion authority to the War Production Board requirements committee, headed by War Production Board Vice Chairman J. A. Krug, or to the War Production Board production executive

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committee headed by War Production Board Executive Vice Chairman Charles E. Wilson.

(It also has been suggested that an Office of Economic Adjustment be created in the Office of War Mobilization, to be headed by Assistant Secretary of Commerce William Clayton.)

PROBLEMS ARE NUMEROUS

In addition to questions as to the fate of small business, the fight over possible cartelization of industry involves decisions on whether new manufacturers should be permitted to start businesses during the reconversion period, whether the many new plants built by the Government for war purposes should be turned into warehouses for surplus Government property or used for manufacturing, what plans should be used for selling surplus goods, particularly machine tools.

Advocates of some measure of cartelization defend their proposals on the ground that a rough freezing of pre-war competitive relationships is necessary during the reconversion period to prevent unbridled competition from disrupting our economy. Opponents of cartelization warn that such restrictions must be imposed with a great deal of care to avoid making a permanent alteration of the face of our economy.

ASKS TOP PRIORITY

At the Smaller War Plants session, Nelson said that small business should be given top priority when surplus materials over and above the stockpile needed for war purposes are released.

He emphasized that "small business does not want, or need, a Works Projects Administration organization. All small businessmen want is an opportunity to use their own initiative and ingenuity."

Nelson praised Maury Maverick, newly appointed chairman of Smaller War Plant Corporation and indicated that he was counting on him for assistance in pushing his program through.

Senator Murray (Democrat), of Montana, stated that Maverick had "an opportunity to be of real service to the country as a whole."

"Only small, independent business is genuinely competitive," Murray said. "Small business must be preserved if we are to have free enterprise."

Maverick, promising a strictly nonpolitical administration, stated, "We are not going to sell out to anyone.

Meanwhile, Krug, chairman of the War Production Board requirements committee, revealed that the allotment of carbon steel to civilian consumers for the second quarter of this year will be 35 percent above the first 3 months of the year, but he cautioned that the additional materials would be used only for so-called essential items.

Mr. PATMAN. Now I wonder if it would be too much to ask the committee to go into an informal executive session, not the kind of executive session you call when you call it formally, but just to discuss the procedure from here on out on the bill?

(After informal discussion, the committee adjourned until tomorrow, Thursday, February 17, 1944, at 10:30 a. m.)

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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

MONDAY, MARCH 20, 1944

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Brent Spence, chairman, presiding.

The CHAIRMAN. The committee has for consideration this morning H. R. 4420, a bill to amend the Reconstruction Finance Corporation Act by adding a new title thereto relating to the sale or other disposition of surplus property of the United States. I will ask the reporter to insert the bill in the record at this point.

(H. R. 4420 is as follows:)

[H. R. 4420, 78th Cong., 2d sess.]

A BILL To amend the Reconstruction Finance Corporation Act by adding a new title thereto relating to the sale or other disposition of surplus property of the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Reconstruction Finance Corporation Act, as amended, is amended by inserting "Title I", immediately before the first section thereof, by striking out the word "Act" wherever it appears therein as a reference to such Act (except in the short title of such Act), and inserting in lieu thereof the word "title", and by adding at the end of such Act, as amended, the following new title:

"TITLE II

"SHORT TITLE

"SEC. 201. This title may be cited as the 'Surplus Property Act of 1943.'

"DEFINITIONS

"SEC. 202. As used in this title—

"(1) The term 'property' means any movable supplies, materials, or equipment, or tangible property owned by the United States, or by any corporation owned or controlled by the United States, which is under the jurisdiction or control of any governmental agency, excluding ships, real estate, and permanent improvements thereon.

"(2) The term 'surplus property' means any property which has been declared to the central agency handling surplus property to be surplus to the function, activity, or project in connection with which it was acquired or accrued.

"(3) The term 'Government agency' means any executive department of the Government or any administrative units or subdivision thereof, any independent agency in the executive branch of the Government, and any corporation owned or controlled by the United States.

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"SURPLUS PROPERTY POLICY BOARD

"SEC. 203. (a) There is hereby established a Surplus Property Board (referred to in this title as 'the Board'), which shall consist of an official of the Defense Supplies Corporation who shall be the Chairman thereof, the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, and three individuals to be appointed by the President, by and with the advice and consent of the Senate. The three individuals so appointed shall be businessmen, two of whom shall have had at least five years' experience in the business of the retail sale and distribution of merchandise and one of whom shall have had at least five years' experience as a wholesaler.

"(b) The Board (1) shall determine and prescribe the methods to be used by governmental agencies in making and maintaining inventories of property, and (2) shall determine the surplus property under the jurisdiction of the various governmental agencies that should be sold or leased, and shall inform the Reconstruction Finance Corporation as to every such determination.

"DUTIES OF GOVERNMENTAL AGENCIES

"SEC. 204. Every governmental agency (1) shall make and maintain accurate uniform inventories, in accordance with methods determined and prescribed by the Board, of property under its jurisdiction; (2) shall cooperate with the Board for purposes of determining which of the property under its jurisdiction is surplus property; and (3) shall cooperate with the Reconstruction Finance Corporation in connection with the sale or lease of surplus property pursuant to the provisions of this title.

"DUTIES OF THE RECONSTRUCTION FINANCE CORPORATION

"SEC. 205. (a) Surplus property which the Board has determined should be sold or leased shall be sold or leased by the Reconstruction Finance Corporation in a manner consistent with the provisions of this section.

"(b) The Corporation shall appoint an advisory committee for each class of property which is to be sold or leased. The members of each such advisory committee shall be appointed from among persons who, by reason of their business experience, are familiar with the handling and marketing of such class of property, or similar property, and shall include several representatives of established retail distribution firms. Representatives of manufacturing firms and wholesale firms normally engaged in the production or wholesaling of such class of property, or similar property, may also be appointed on such a committee. In the appointment of such a committee, at least two small businessmen shall be appointed to represent each class or firm represented thereon in the case of manufacturers, wholesalers, or retailers, in the event that any or all of these three classes are otherwise represented on such committee.

"(c) No property reported as surplus by any Government agency shall be disposed of to the public until it has been determined, under regulations of the Board, that such property is not needed by any other Government agency.

"(d) Surplus materials shall be disposed of expeditiously and so as to use their economic value, but shall not be disposed of at times or in quantities such that the civilian market cannot absorb them without unduly disturbing the economy, or that factories producing them are forced to close down. Any surplus materials which cannot be disposed of domestically within a reasonable time without disrupting the economy shall be sold abroad and shall not be reimported into the United States or its insular possessions.

"(e) In the sale or lease of surplus property pursuant to this title, the Reconstruction Finance Corporation shall be governed by the following considerations:

"(1) Distribution of such property shall be through established trade channels, and should any question arise between an individual and an established business concern as to the sales price of an article, the established business concern shall be granted the usual trade discount.

"(2) The acquisition of large quanaities of such property for speculative purposes shall not be permitted.

"(3) No purchaser of surplus goods, except an honorably discharged member of the armed forces, shall be permitted to acquire, in any one year, a larger quantity of surplus goods than the amount of goods of the same kind handled by his firm during the year immediately preceding December 7, 1941. In the

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case of an honorably discharged member of the armed forces, he (or she) shall be permitted to purchase sufficient amounts of surplus goods as will enable him (or her) to set up and maintain an individual establishment to be conducted personally by him (or her) and not as a part of a chain or in conjunction with silent partners so long as the establishment of such an enterprise will not unduly disrupt normal trade and commerce.

"(4) Such property shall be sold or leased at prices low enough to facilitate the disposition thereof, but high enough to enable the United States to secure a fair return therefor.

"(5) The sale or lease of such property shall be at a rate which will not unduly disrupt trade and commerce.

"(f) The sale or lease of surplus property shall be in accordance with such regulations as the Board shall prescribe regarding the times, places, quantities, and terms and conditions of the proposed disposition of such property; and such regulations shall require advertising for competitive bids except in such cases and with respect to such property as the Board determines that sales or leases by competitive bids would be contrary to the public interest.

"EXCLUSIVE METHOD OF DISPOSING OF SURPLUS PROPERTY

"SEC. 206. No surplus property shall be sold, leased, or disposed of otherwise than in accordance with the provisions of this title, except that where provisions of law are in force specifically authorizing the sale or other disposition of any particular property or class of property, such property or class of property may be sold or otherwise disposed of in accordance with such provisions of law if the Board approves such action as being consistent with the public interest.

"TRANSFERS BETWEEN GOVERNMENTAL AGENCIES

"SEC. 207. Notwithstanding any other provisions of this title, governmental agencies shall make the fullest practicable utilization of surplus property in order to avoid waste and unnecessary expense, and for such purposes surplus property may be transferred from one governmental agency to another, in lieu of its sale or lease pursuant to the proviisons of this title. Such transfers shall be made subject to such regulations as the Board shall prescribe.

"DISPOSITION OF NONSALABLE PROPERTY

"SEC. 208. Notwithstanding any other provision of this title, surplus property which is not salable, or which for any other reason it is impracticable to transfer, sell, or lease as provided in this title, shall be repaired, rehabilitated, donated, destroyed, or disposed of in accordance with such regulations as the Board shall prescribe.

"PROCEEDS FROM SALE OR LEASE OF SURPLUS PROPERTY

"SEC. 209. All proceeds from the sale or lease of surplus property under this title shall be deposited and covered into the Treasury as miscellaneous receipts.

"MISCELLANEOUS

"SEC. 210. (a) The Board is authorized to appoint and fix the compensation, subject to the civil-service laws and the Classification Act of 1923, as amended, of such employees as may be necessary for the performance by the Board of its functions under this title.

"(b) Each member of the Board appointed thereto by the President, by and with the advice and consent of the Senate, shall be paid compensation at the rate of $ per diem when actually engaged in the performance of his duties under this title, and shall be allowed necessary traveling expenses and subsistence expenses (not in excess of $ per day) incurred when absent from his place of residence in connection with the performance of such duties."

The CHAIRMAN. We have Mr. W. L. Clayton with us this morning, who has been administering the Executive order establishing the Surplus War Property Administration. I will call Mr. Clayton to the stand. Mr. Clayton is a successful businessman of wide experience and great capacity.

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STATEMENT OF W. L. CLAYTON, SURPLUS WAR PROPERTY ADMINISTRATOR, WASHINGTON, D. C.

The CHAIRMAN. Do you want to make your statement, Mr. Clayton, without being interrogated?

Mr. CLAYTON. No, sir. I have no prepared statement, Mr. Chairman.

Mr. FORD. Do I understand that Mr. Clayton is going to make a formal statement?

Mr. PATMAN. No; he said he did not have a prepared statement.

The CHAIRMAN. You may proceed to question him.

Mr. PATMAN. You gave your name and identified yourself to the reporter, I presume?

Mr. CLAYTON. Yes, sir.

Mr. PATMAN. Your name is W. L. Clayton?

Mr. CLAYTON. Yes.

Mr. PATMAN. What official position do you hold?

Mr. CLAYTON. Surplus War Property Administrator.

Mr. PATMAN. What does that include? Does it include movable property, immovable property, real, tangible, personal, or what type of property is involved under your administration?

Mr. CLAYTON. It covers all surplus property of the Government. Surplus war property is described as any property, real or personal, including, but not limited to plants, facilities, equipment, machines, accessories, parts, assemblies, products, commodities, materials, and supplies in the possession of or controlled by any Government agency, whether new or used, in use or in storage, which are in excess of the needs of such agency or are not required for the performance of the duties and functions of such agency and which are determined, subject to the authority of the Office of War Mobilization, to be surplus by such agency.

Mr. PATMAN. Who determines whether or not property is surplus?

Mr. CLAYTON. The agency which has possession of the property for the Government makes the determination but subject to the authority of the Office of War Mobilization.

Mr. PATMAN. That is Mr. Byrnes?

Mr. CLAYTON. Yes, sir.

Mr. PATMAN. Suppose there is some property declared surplus, like a product out in Mr. Smith's district, and it is some kind of a product used in connection with the war, and it involves a lot of land, plants, and equipment. What would you do with that? Would you just take it from the custodian in charge of it, first, and then take inventory?

Mr. CLAYTON. No, sir. This new Administration of which I am the Administrator is charged in the Executive order with the responsibility of general supervision and direction of the handling and disposition of surplus war property. The Administration itself has no property for sale. The Executive order under which it was established names the different agencies of Government which will dispose of surplus property, and the Administration has general supervision and direction of their operations and fixes the policies surrounding the disposal by them of surplus property.

Mr. PATMAN. If it is War Department property, does the War Department dispose of it?

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Mr. CLAYTON. No, sir. When the War Department determines that the property is surplus they so certify to the disposal agency which is named in the Executive order, which would have the responsibility for the disposal of that particular type of property. In the case of capital goods, plants or equipment, machinery, raw materials, and scrap, it would be the Reconstruction Finance Corporation. In the case of consumers' goods, it would be the Procurement Division of the Treasury.

Mr. PATMAN. Is that set out in the Executive order?

Mr. CLAYTON. Yes, sir; it is.

Mr. PATMAN. I think, Mr. Chairman, that we should have the Executive order made a part of the hearings. I ask permission to have it inserted in the record.

The CHAIRMAN. That will be done.

Mr. CLAYTON. I will give the reporter a copy of the Executive order. It is Order No. 9425, dated February 19, 1944, released February 21, 1944.

Mr. PATMAN. The document which you have in your hand does not look large enough to include all the information which you were giving us; that is, that if the property is of a certain type the Reconstruction Finance Corporation will dispose of it, and if it is of another type another agency will dispose of it. Is that information all on there?

Mr. CLAYTON. Yes, sir.

Mr. PATMAN. It includes everything in the way of giving you direction or guidance in your work?

Mr. CLAYTON. This gives certain directions; yes, sir.

Mr. PATMAN. You get up your own orders from that?

Mr. CLAYTON. That is right.

Mr. PATMAN. But that gives you all the information you should have with reference to your own duties?

Mr. CLAYTON. I would not say that it gives all the information with reference to my own duties, because the first specification of my functions is a rather general one, which follows:

To have general supervision and direction of the handling and disposition of surplus war property.

The order gives a definition of surplus war property, and it gives the names of the different agencies that are to handle specific kinds of property.

(The Executive order referred to is as follows:)

EXECUTIVE ORDER 9425

ESTABLISHING THE SURPLUS WAR PROPERTY ADMINISTRATION

By virtue of the authority vested in me by the Constitution and statutes of the United States, particularly the First War Powers Act, 1941, as President of the United States and as Commander in Chief of the Army and Navy, it is hereby ordered as follows:

1. There is hereby established in the Office of War Mobilization, the Surplus War Property Administration (hereinafter referred to as the "Administration"), the powers and functions of which, subject to the general supervision of the Director of War Mobilization, shall be exercised by a Surplus War Property Administrator (hereinafter referred to as the "Administrator"), to be appointed by the Director of War Mobilization.

2. With the assistance of a Surplus War Property Policy Board, composed of a representative from each of the following: State Department, Treasury De-

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partment, War Department, Navy Department, Justice Department, Reconstruction Finance Corporation, Smaller War Plants Corporation, United States Maritime Commission, War Production Board, Bureau of the Budget, War Food Administration, Federal Works Agency, Civil Aeronautics Board, and the Foreign Economic Administration, it shall be the function of the Administration to the full extent that such matters are provided for or permitted by law—

(a) To have general supervision and direction of the handling and disposition of surplus war property.

(b) To have general supervision and direction of the transfer of any surplus war property in the possession of any Government agency to any other Government agency whenever in the judgment of the Administration such transfer is appropriate.

(c) Unless otherwise directed by the Director of War Mobilization, to assign, so far as it is deemed feasible by the Administration, surplus war property for disposition, as follows: consumer goods to the Procurement Division of the Department of the Treasury; capital and producers' goods, including plants, equipment, materials, scrap, and other industrial property, to a subsidiary of the Reconstruction Finance Corporation, created pursuant to Section 5d (3) of the Reconstruction Finance Act, as amended; ships and maritime property to the United States Maritime Commission; and food to the War Food Administration; provided that surplus war property to be disposed of outside the United States, unless otherwise directed by the Director of War Mobilization, shall be assigned, so far as it is deemed feasible by the Administration, to the Foreign Economic Administration.

3. All functions, powers, and duties relating to the transfer or disposition of surplus war property, heretofore conferred by law on any Government agency may, to the extent necessary to carry out the provisions of this order, be exercised also by the Administration.

4. The Administrator may prescribe regulations and issue directions necessary to effectuate the purposes of this order; and no Government agency shall transfer or dispose of surplus war property in contravention thereof. Each Government agency shall submit such information and reports with respect to surplus war property and in such form and at such times as the Administrator shall direct. When requested by the Administration, a Government agency shall execute such documents for the transfer of title or for any other purpose or take such steps as the Administration shall determine to be necessary or proper to transfer or dispose of surplus war property or otherwise to carry out the provisions of this order.

(5) The Administrator may perform the functions and exercise the powers, authority, and discretion conferred on the Administration by this order by such officials and such agencies and in such manner as the Administrator, subject to the provisions of this order, may determine. In carrying out the purposes of this order, the Administration may utilize the services of any other Government agency. The Administration, within the limit of funds which may be made available, may employ necessary personnel and make provision for supplies, facilities, and services necessary to discharge the responsibilities of the Administration.

6. As used in this order:

(*a*) "Government agency" means any executive department, independent establishment, agency, commission, board, bureau, division, administration, office, service, independent regulatory commission or board, and any government-owned or government-controlled corporation.

(*b*) "Surplus War Property" means any property, real or personal, including but not limited to plants, facilities, equipment, machines, accessories, parts, assemblies, products, commodities, materials, and supplies in the possession of or controlled by any Government agency, whether new or used, in use or in storage, which are in excess of the needs of such agency or are not required for the performance of the duties and functions of such agency and which are determined, subject to the authority of the Office of War Mobilization, to be surplus by such agency.

7. All prior Executive Orders, insofar as they are in conflict herewith, are amended accordingly.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *February 19, 1944.*

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Mr. PATMAN. In order to get down to specific cases——

Mr. CRAWFORD. Will you yield for one question?

Mr. PATMAN. Just as soon as I finish my statement.

I notice that the first sale was made to du Pont, of a factory down in Houston, Tex.

I will yield to Mr. Crawford.

Mr. CRAWFORD. I just wanted to ask this question. To whom are you directly responsible—to the President, or to some Government agency?

Mr. CLAYTON. I am responsible to Mr. Justice Byrnes as the Director of the Office of War Mobilization.

Mr. CRAWFORD. Thank you.

Mr. FORD. Mr. Clayton, when goods are declared to be surplus and the department is named that is to dispose of them, does your office make a check to see that some other department does not need them?

Mr. CLAYTON. We are setting up machinery and procedures by which what you have in mind will be taken care of. My office itself will not make the check, but we are providing that the disposal agencies shall keep correct inventories of surplus goods that are to be disposed of, and that the procuring agencies shall check with them before they go into the market to find whatever they might need, to make sure that the Government has not already got it.

Mr. FORD. They will check with all agencies to see that they do not need those particular items?

Mr. CLAYTON. Yes.

Mr. FORD. We have had cases where an agency sold a large quantity of something that the Navy found it needs and has to buy the same thing at four times the price at which it was disposed of. We are trying to stop that.

Mr. CLAYTON. That is right. We are trying to stop it. One of our first concerns is to make sure that no Government agency buys in the market what some other Government agency is selling in the market.

Mr. PATMAN. That will cure a lot of it.

Just what kind of property was this at Houston that was sold to du Pont?

Mr. CLAYTON. A plant that was constructed down there on the ship channel, having 40 acres of ground on which its facilities were built for the purpose of constructing concrete barges at the time that the submarines were operating so actively in the Caribbean and in the Gulf. I have not too many particulars about it, Mr. Patman, but the thing was a failure, and Admiral Land stated that the facilities were no longer of any use to the Maritime Commission and had been abandoned for any practical purposes, and that he had an opportunity to dispose of the property. At the first meeting of the Board he asked me what should be done; but, as we had just got started, I told him to do whatever he would have done before we were set up, because we had not had time to organize and check all these things. One of the first things we did was to provide that all the agencies of Government that are concerned in this matter should continue in the same way as they had been doing until we could get organized and until we could tell them differently.

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Mr. PATMAN. Do you mean to say that Admiral Land had been negotiating with du Pont about the purchase of this particular property?

Mr. CLAYTON. They had made an offer for it; yes.

Mr. PATMAN. How much did they give for it?

Mr. CLAYTON. I believe it was $200,000. It may have been a little more, but I think it was about $200,000.

Mr. PATMAN. How much had the Government put into it?

Mr. CLAYTON. I am told that it was in excess of $2,000,000. The property had been appraised by an independent appraiser at $188,750.

Mr. PATMAN. Have you sold any other plants or facilities except that one?

Mr. CLAYTON. Of course, Mr. Patman, we did not sell any at all. We just fix the policies. I do not know of any others that have been sold since this new agency was established.

Mr. PATMAN. I do not exactly understand it. Mr. Byrnes is the War Mobilization Director. He is your boss, you might say; he is over you, is he not?

Mr. CLAYTON. That is right.

Mr. PATMAN. And you have certain powers delegated to you. From the way I understand it, it looks like you are just the custodian of this property.

Mr. CLAYTON. No; I would not consider myself the custodian of it at all.

Mr. PATMAN. Well, you do not have power to dispose of it.

Mr. CLAYTON. We have the power to direct its disposition.

Mr. PATMAN. That is the power of disposal, is it not?

Mr. CLAYTON. Yes.

Mr. PATMAN. It is clearer, then. I did not understand it that way. I thought you told some agency to dispose of it.

Mr. CLAYTON. That is right.

Mr. PATMAN. You tell them how to do it?

Mr. CLAYTON. Yes; we fix the policies under which they will operate. This new agency does not itself actually negotiate for the sale of the property or have the work of actual disposal.

Mr. PATMAN. The sale is under your direction.

Mr. CLAYTON. That is correct.

Mr. PATMAN. Suppose that a piece of property is sold for much less than you think it should be sold for; you do not have to approve the sale, do you?

Mr. CLAYTON. Obviously, Mr. Patman, we could not undertake to approve or disapprove every individual sale that is made. What we will try to do will be to fix general policies under which the selling will take place and to keep in such close touch with the disposal agencies as to know from time to time what they are doing and what general policies they are following. When we get into the big job of disposing of Government property at the end of the war it would obviously be impossible for an overhead agency or directing agency to follow every single transaction, because they will be enormous.

Mr. PATMAN. Yes; I realize that.

Getting down to this bill, have you read H. R. 4420?

Mr. CLAYTON. Yes; I have.

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Mr. PATMAN. What do you think about the provisions of that bill if enacted into law? Do you think it would be in the public interest or against the public interest?

Mr. CLAYTON. Well, Mr. Patman, I have been so busy trying to get this new agency organized—and you can imagine what a task that is—that I have not been able to give very much thought to the question of legislation. I will say this, that for the most part the provisions of the bill follow pretty closely, I think, the Baruch-Hancock report, and follow pretty closely my own thinking with reference to the aspects with which the bill deals in the matter of surplus property disposal.

Mr. PATMAN. Do you contemplate legislation in connection with the performance of your duties, or do you feel that you are properly armed now through this Executive order?

Mr. CLAYTON. So far as the basic problem is concerned, I think that it would be my preliminary thought, without having really, as I say, given very much thought to the question of legislation, that this Executive order pretty well covers the field. I do think that we will undoubtedly find that in some specific directions legislation will be necessary, and I would think that for the long run in the post-war period undoubtedly some legislation will be necessary.

For example, at the first meeting of the Board, in discussing this very transaction to which you referred, of the property on the Houston ship channel, it was suggested that we had better make some investigation as to the authority of these different agencies in respect of disposal of real estate and take a look at the laws covering the disposal of Government real estate. We set up a committee, of which the Attorney General is chairman, to check into that and study it, and they are doing that now. It may be—I do not know—that as a result of that committee's work some legislation in that field may be necessary. The Attorney General mentioned that there are some 150 different statutes that are involved; and it is going to take a good deal of study to see whether anything further is necessary.

Mr. PATMAN. Mr. Baruch said, in answer to a critical article in a Baltimore paper, that legislation was contemplated in his report to implement his recommendations, and there was no effort being made by him or his group to bypass Congress but, instead, he expected Congress to legislate on the subject.

Assuming that to be his policy—and I know it is his policy, for I have talked to him about it—it occurs to me that this bill is right in line with what you people have in mind. If that be so, would it not be better to legislate on the congressional policy and not rely solely on an Executive order that can be changed at any time?

Mr. CLAYTON. The Baruch report does recommend in this language:

> Accordingly, we are recommending that the surplus administrator maintain a continuing study of the surplus problem and report to the Congress on needed legislation as soon as possible.

And we have that in mind. But, as I say, we have been so busy trying to get organized, and our general counsel just reported for duty a week ago and has been pretty busy on other matters, that we have not yet got to that question. It will take a little time.

Mr. PATMAN. You are in no position to approve or disapprove this bill or any part of it?

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Mr. CLAYTON. No, sir; not at the present time.

Mr. KUNKEL. Will you yield for a question?

Mr. PATMAN. Yes.

Mr. KUNKEL. Was this Executive order issued under the General War Powers Act?

Mr. CLAYTON. I understand so; yes, sir.

Mr. PATMAN. That War Powers Act expires this year, does it not?

Mr. CLAYTON. I do not know.

Mr. FORD. Mr. Clayton, referring further to the deal to which reference was made, and the $200,000 that you think they paid for the $2,000,000 investment, do you not think there ought to be some authority some place to look into a situation like that, and that before such a deal could be finally consummated somebody ought to look over it to see whether the Government is getting a good break or not?

Mr. CLAYTON. Yes, sir; I think so, Mr. Ford. In this particular case the equipment that is on the property is being removed and, as I understand it, all that the buyer is getting of any value is the real estate, 40 acres of land which was appraised at $188,750.

Mr. FORD. They are just getting the land?

Mr. CLAYTON. That is all I understand that they are getting of any value. This was a situation in which a plant was to be built if the land should be sold, a plant which would make a useful product which the Department of Agriculture was recommending very strongly should be made. They would like to see the industry started and a plant which would employ people in the post-war period. So it seemed, in view of the fact that the negotiated price was in excess of the independent appraisal, and in view of all the circumstances, that I could properly say to Admiral Land that as he had investigated the matter fully and was fully acquainted with all the details, and as he had to give an answer promptly, it seemed to me that the right thing to do was to tell him to go ahead and act in the interest of the Government just as he would have acted before this new Administration was set up.

Mr. FORD. Can you give us any idea of what it was that the Agriculture Department had in mind that would be manufactured there?

Mr. CLAYTON. I do not think it is an insecticide, but it is some kind of a cattle and sheep medicine. I do not know the exact nature of it.

Mr. FORD. Is it a dip?

Mr. CLAYTON. No, sir; I do not understand so. I think it is a cattle or sheep medicine that is very much needed in that area. The Department of Agriculture is thoroughly familiar with it.

Mr. SMITH. In response to a question from Mr. Patman a moment ago as to whether you thought legislation might be needed or whether you thought the Executive order was sufficient, you made the statement that the Executive order covers, in your opinion, the field. Just what did you mean by that?

Mr. CLAYTON. I think that it gives this new agency ample power to accomplish the purpose of the order, which is to have general supervision and direction of the handling and disposal of surplus war property and to fix the policies surrounding that operation.

Mr. SMITH. The question that confronts the committee is whether it should be under the direction of the Executive or whether it should be under the direction of the Congress. Some of us feel that an im-

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portant principle is involved here. Would you care to express yourself on that point?

Mr. CLAYTON. I do not think so, at this time. I think that is something that I should not express myself upon, and I do not think that my opinion would be of very much value. I am only saying that for the purpose for which this agency was created it seems to me at this time that this Executive order does give the necessary over-all basic authority for operation. But I am not saying that after we have had a little experience and have had a little time to check on the matter, we will not ourselves feel that some legislation is necessary, and may even come to Congress and recommend some legislation as the Baruch report advises that we study and report to Congress; and we have that in mind.

Mr. SMITH. Of course, I personally feel that this should be definitely and specifically under the direction of the Congress and not the Executive. I merely raised that point in connection with your statement that you thought the Executive order covered the field. I grant that it might cover it so far as authority and power are concerned, but it still leaves out the basic principle that I have in mind.

Mr. KUNKEL. If you come in and ask for supplemental legislation, it will be sort of a patchwork quilt that will fill out this Executive order, and at the end of the war you may have to substitute something entirely different; which makes complications.

You spoke about the Attorney General studying 150 statutes dealing with real estate. I think the members of this committee already agree that the real-estate problem is going to be fairly difficult. This bill does not touch it. Then we will be passing some statute on this phase that will not fit into the statutory picture in general or the Executive order after the time that the War Powers Act is no longer effective. I think it is a very serious complication, whether it is based on the Congress or on the Executive.

Mr. PATMAN. Do you have counsel here, Mr. Clayton?

Mr. CLAYTON. Yes, sir.

Mr. PATMAN. Who is your counsel?

Mr. CLAYTON. Mr. Stuart Scott, who is seated by me right here.

Mr. PATMAN. Mr. Scott, is the power that is exercised by the Executive obtained from the Second War Powers Act? In other words, when the Executive issued this Executive order, did he do so by virtue of the power that is given to him by Congress in the Second War Powers Act?

Mr. SCOTT. There is specific reference to the First War Powers Act.

Mr. PATMAN. When was that passed—during the First World War?

Mr. SCOTT. No, sir. There have been two War Powers Acts passed this time.

Mr. PATMAN. When do they expire?

Mr. SCOTT. They both expire after the expiration of the war or the declared emergency.

Mr. PATMAN. I was thinking that the Second War Powers Act expires at the end of this year. I do not know where I got that impression.

Mr. SCOTT. I am not sure, sir. I am quite certain that the First War Powers Act does not.

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Mr. PATMAN. And this power is derived from the First War Powers Act?

Mr. SCOTT. That is the only one that is specifically referred to in the Executive order.

Mr. WOLCOTT. I think you will find that also under the act of 1917, that was never repealed, the President has powers.

Mr. ROLPH. You stated that you had been organizing and getting ready for this proposition. I think the committee would be interested in finding out just what steps you have taken and just how far your organization has gone in handling this situation. I think that information would be very helpful.

Mr. CLAYTON. Well, briefly, in addition to the Administrator, we feel that we have to have a deputy administrator, a general counsel, and a secretary, with assistants. We pretty well need top men for such positions as contact with the principal owning agencies, as, for example, the War Department and the Navy Department. We have to have top men to work with the principal disposal agencies, the R. F. C., the Procurement Division of the Treasury, the Maritime Commission, the War Food Administration. We feel that we will have to have very good men in particular fields that represent perhaps the biggest problems of disposal, as for example, aircraft, machine tools, communication equipment, such as radio, radar, and telephone equipment.

Mr. ROLPH. And for each of those industries?

Mr. CLAYTON. Yes, sir. We feel that we have to have very good men for those jobs; and that is particularly what we have in mind—to have our organization on the executive level and to be built down from that to whatever extent may be necessary.

I have the distinct feeling that we should keep the agency exclusively on a policy-making level, which, of course, means that it must be staffed so that we can see that our policies are observed. But I cannot imagine that we would have a very large staff.

Mr. ROLPH. Would you have suboffices set up throughout the country?

Mr. CLAYTON. I do not think so. Of course the R. F. C., as the disposal agency of capital goods, has, I think, 36 agencies throughout the country. The Procurement Division of the Treasury has some; I do not know just how many, but whatever additional ones may be necessary they will, of course, have to organize.

Mr. ROLPH. You will use those separate agencies already set up in the R. F. C.?

Mr. CLAYTON. Whatever studies and research work of that kind is necessary in particular fields we would expect to get these other agencies to do for us, because they are well-established agencies with trained personnel and staffs, and we do not want to provide any duplicate personnel or effort if we can avoid it.

Mr. ROLPH. Suppose there is a large surplus of merchandise some place in the Middle West and that that merchandise could be readily absorbed in adjacent territory: Would bidders for that surplus property have to come to Washington to bid?

Mr. CLAYTON. Certainly not; no, sir. That would not be my idea at all, and I am sure it is not the idea of the disposal agencies. They are organized now to decentralize this problem, and that would be our idea of the way in which it should be handled. While the war is on the problem will not be nearly as difficult, of course, as in the post-

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war period, because now the surpluses will be relatively small as compared with the post-war period, and also the markets are big and will take almost anything, certainly, that a civilian can use, without a great deal of effort. You can get ceiling prices for most civilian goods.

Mr. ROLPH. I might say that when Mr. Jones was here he stated that in his opinion these plants should not be sold but should be held in readiness, so that if they should be again required they could be started up right away.

Mr. CLAYTON. You mean, for a standby after the war?

Mr. ROLPH. During the war period.

Mr. CLAYTON. I think that depends, of course, on what kind of plant it is, and also on what the Army and the Navy say about it. We have to be guided by them.

Mr. ROLPH. He was very definite about that. He did not think that any plant established in connection with the war effort should be disposed of.

Mr. Patman in his bill has excluded real estate, ships, and improvements on real estate. Do you think that other items, such as food, should be excluded from this legislation, or do you think a separate agency should be set up for food products?

Mr. CLAYTON. In general, it is my thought that several agencies of Government should be used for this problem of disposal, which is an immense task, and that those agencies of Government should be used which have had experience in the particular field to which they are assigned. For example, if it is a question of food I would think the War Food Administration would be the natural agency to dispose of the food, because they have had the responsibility of procuring that food in many cases. If it is a question of plants or machine tools or equipment, raw materials, scrap copper, aluminum, and so on, it seems to me that the R. F. C. is the logical agency, because their experience has been in that field. If it is maritime property, it is the field of the Maritime Commission.

Mr. ROLPH. Ships are excluded under this bill.

Mr. CLAYTON. Yes.

Mr. ROLPH. Do you think a separate agency should be set up for specific items, such as food, or do you think that your agency can handle food, machinery, clothing, and all these other different items?

Mr. CLAYTON. The agency that you refer to as my agency, of course, does not sell anything. We merely have the general supervision and direction of the handling and the selling of the property and fixing the policies surrounding it. The agencies which will do the actual work of disposal are named in the Executive order; that is, four of them are named.

Mr. ROLPH. What are they?

Mr. CLAYTON. The R. F. C. for capital goods, such as plants, equipment, machine tools. As to producers' goods, raw materials, like copper, aluminum, tungsten, chrome, manganese and things of that kind, and scrap, the R. F. C. is named as the agency to dispose of those things. The Procurement Division of the Treasury is named as the agency to dispose of consumers' goods, such as boots and shoes, merchandise, and things of that kind, everything that would be classed as consumers' good, except food. The War Food Administration is named as the agency to dispose of food; and the Maritime Commission is the agency to dispose of maritime property. The Foreign Economic Administra-

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tion is the agency to dispose of any goods that are to be disposed of abroad. There are five agencies that are named in the order.

Mr. KUNKEL. Would it not be a relatively fair statement to say that you will also see that policy orders are enforced after they are issued?

Mr. CLAYTON. As to basic principles; yes.

Mr. TALLE. How is your agency financed?

Mr. CLAYTON. Through the O. W. M. We are part of the O. W. M., and we have to submit a budget to the Budget Bureau, which we are doing now. I have no personal knowledge of that. I am sorry that I cannot tell you any more than that, but we are getting up the budget now to submit to the Budget Bureau.

Miss SUMNER. Have you any kind of inventory of the amount of stocks you have on hand now that you are supposed to sell?

Mr. CLAYTON. We have not; and we ourselves would not make the inventory. The procedure is this: The owning agencies which have the great bulk of property are the War Department and the Navy Department. When they consider any goods that they have on hand, or any property, are surplus, they will so certify to the disposal agency named in this Executive order, and the disposal agency will keep an inventory of such property and will dispose of it under the policies and directions that we will fix.

Miss SUMNER. A great many of us are aware of the fact that there are interests that would like to get hold of some of this property, and there is a fear, that has been expressed in this committee, that property will be sold which ought not to be sold. The war today certainly is not in any shape where we can see the end of it in either the East or the West. I would like to know, for that reason, what your thought is about the safeguards that you are going to use, if you are the one that is going to use them, or if you are not, who is going to use them, that will prevent property being sold that ought not to be sold. It seems to me that is a very important thing.

Mr. CLAYTON. It is exceedingly important. It will be a function of the owning agency.

Miss SUMNER. In other words, you must make a recommendation to them as to any goods that are to be sold?

Mr. CLAYTON. No. We will not. The owning agency is the one to determine when any property is surplus to its needs or functions. As I say, the great bulk of this property will come from the War Department and the Navy Department. I think we can rely on those two agencies not to certify any property as surplus until they are quite sure that they will not need it.

Miss SUMNER. You have not heard any hint as to how much they have at the present time, have you?

Mr. CLAYTON. No.

Miss SUMNER. I noticed in the Baruch report when it first came out a couple weeks ago a figure of about $50,000,000,000. But I suppose they meant by that the eventual figure?

Mr. CLAYTON. The eventual figure, I would think. It is just anybody's guess as to what it will be eventually. But I had not been so much concerned with the aspect of the matter that you present as I had with the opposite, that the danger will be that these agencies will not be as vigorous in digging out the surplus and bringing it to the surface and certifying it as they should be. I have been more concerned with that aspect of it than with the other, and I think, from

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what I know of it, that that is the danger rather than the one that you mention.

Miss SUMNER. I imagine it would be an individual matter. One official might be inclined in the one direction, and another in the other direction, don't you think? That is individual, is it not?

Mr. CLAYTON. I think you may take it for granted that the two agencies which, as I say, represent the bulk of these surpluses, will lean in the direction of security and safety and not letting go of anything as long as they think it may be needed in the war and I think you may take it for granted that they will follow that policy. They always have.

Mr. PATMAN. I hope that you can get better coordination out of these departments, Mr. Clayton. I have before me a mimeographed statement put out at Cincinnati on December 22, stating that the regional office of the Treasury Procurement Division in Cincinnati sold 32,063 pounds of horseshoes of different types and sizes. On approximately March 1, 1944, that is, about 68 days later, the Procurement Division of the Treasury placed an order for 242,560 pounds of horseshoes of different types and sizes.

It just seems reasonable to assume that someone in the Procurement Division of the Treasury knew in December that that Division might be placing another order in March. There was only a difference of 68 days. That shows a complete lack of coordination. Does it not appear that way to you?

Mr. CLAYTON. It looks very strange; I will say that. The Procurement Division of the Treasury, Mr. Patman, makes purchases for other agencies of the Government—Lend-Lease and perhaps other agencies.

Mr. PATMAN. But that would be no excuse for something like this, a type of property that is likely to be used.

Mr. CLAYTON. I do not know that the blame can properly be placed on the Treasury, because, as I say, they are an agent who buys for other agencies of Government. I do not know that they buy very much for themselves. Nearly all these purchases they make are for other agencies of Government. It does show this, that there is a lack of coordination as between the different agencies as to what should be sold and what should be purchased; and as I stated in the beginning, one of our principal preoccupations at the present moment is to try to work out machinery so that that sort of thing will not happen.

Mr. FORD. In other words, you ought to have in your office, if you are going to be the Director of these sales, a complete inventory, in my judgment, of what the different agencies have; and when one of them certifies that they have horseshoes or saddles or anything else that they want to sell, you look it over, and then it is your job to inquire of other agencies that might need those things whether or not they are going to order any more in a very short time. If they are, of course you would not let those be sold.

Mr. CLAYTON. Mr. Ford, we are not going to keep the inventories ourselves, but we are going to see that the disposal agencies keep inventories of all surplus property that has been certified to them for sale and that procurement agencies must check with them before buying anything in the market, to make sure that the Government has

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not got such property. That is what we are working on right now, to perfect procedures and machinery so that the thing will be automatic and that you will not have one agency selling in the market what another agency is buying in the market.

Mr. CRAWFORD. Mr. Clayton, your general statement disturbs me very much, for this reason: I had led myself to believe that your organization was going to be in charge of directing the sales of surplus war materials. Now, if I understand you correctly this Executive order provides that when an agency finds goods on hand no longer essential for its purposes and functions it shall certify to the Procurement Division of the Treasury, or the R. F. C., or those other two agencies, that these goods are surplus. Is that correct?

Mr. CLAYTON. Yes, sir.

Mr. CRAWFORD. Then those agencies, such as the Procurement Division, the R. F. C., or the Defense Supplies Corporation, can then proceed to dispose of the surpluses so certified. Is that correct?

Mr. CLAYTON. Yes, sir.

Mr. CRAWFORD. In other words, you have no particular power, as I understand it, to step into the Treasury in that connection. For instance, to illustrate, suppose it has been certified that there are a million ash trays for sale as surplus. The Treasury would then proceed to sell those ash trays as it has generally proceeded to sell ash trays or other things, without any interference from you?

Mr. CLAYTON. No, sir.

Mr. CRAWFORD. Where do you step into the picture to interfere?

Mr. CLAYTON. If we correctly interpret the powers which this Executive order gives, we can tell them they must not sell those ash trays, or we can tell them that they must.

Mr. CRAWFORD. Can the Treasury proceed to dispose of that surplus until you pass on it?

Mr. CLAYTON. Mr. Crawford, what we have told them in this interim period, when we are trying to get organized and get these people that I have outlined to you that we will need, is to go ahead as they have been doing until we can sell them otherwise. That is just for the interim period until we can get organized. When we get organized we will have a man or men that will be working with the heads of the Procurement Division of the Treasury day by day and looking at what they have to sell and what methods they are using, so that we can check the policies and the procedures currently at all times; and if ash trays are a drug on the market, and they are selling them and running the market down and stopping production and putting people out of work, we can tell them to stop.

Mr. CRAWFORD. Let me use another illustration, a real one. I spent the week end out on a farm about 20 miles away in the country. Saturday evening about 6:30 the farmer said, "Let us get into the station wagon and go up to the store." I said, "All right." He pointed over and said, "Put that can in the station wagon for me." So I picked up a can about 22 inches one way, about 18 inches in another dimension, and about 15 inches in the other dimension. It was made of exceedingly heavy metal, for a can, corrugated, one of the most perfect containers I have ever seen. It has stamped on the top "U. S. Army Air Corps." It is made for holding gasoline or kerosene. The capacity is 7½ gallons. It is a beautiful piece of work. It has a screw top about 1¾ inches in diameter, and when you unscrew the

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top and start to lift it off the cap does not come off, because there is a chain and a lock down inside which keeps the screw top from getting lost. It is always attached to the can. The farmer had three of these cans. I said, "Where did you get this?" He said, "I bought it down town the other day." "How much did you pay for it?" "$1." "Did you buy it at a store?" "Yes."

My guess would be that these cans cost somewhere between $7 and $12 apiece. I placed an order for four of the cans to try to get them myself. I had never seen one before anywhere in this country. There is probably a market in this country for 10,000,000 of them among farmers and garage people.

If you were organized in this particular case, where could you step into the picture, under this order, and direct the sale of those cans at a reasonable price?

Mr. CLAYTON. We could lay down methods, Mr. Crawford, by which the Treasury would operate, which I think would correct that situation. One of the things we already have told them is that they must not, no matter what method they use—we told the Treasury and the R. F. C. this—no matter what method they use, they must test the market and make sure that they have got the market price for the goods that they sell; in other words, that they must not just go out and put an arbitrary figure on the thing and put it up for sale and sell the whole lot to the first comer. They must use ordinary business judgment and common sense and make inquiries and find out what that article can be sold for.

First of all, the owning agency in certifying that can as surplus to be disposed of must tell the Procurement Division of the Treasury what it cost, to begin with, so that they have some starting point. They know how much value is in that can, and they can work from that point on out. That we have told them, in general, as a beginning. We have not even got a man working with the Treasury. In the end we may have to have a dozen men when we get organized. We will be looking at what they are doing and getting reports and making analyses, and so on, and we can vary the thing from day to day and lay down any procedures that may be necessary.

You understand, of course, that we will have a great many things that will sell for a good deal less than they cost. In the particular case which you mention you might find that not at this time but later on, there might be cans that are not so well made; that did not cost so much money; that might answer the purpose, so that you would have to mark down a much more expensive can to that level in order to dispose of it for civilian use.

The thing is not simple. It is a very complicated merchandising operation—this thing of disposing of property.

Mr. CRAWFORD. I can understand that, but I have a terrible fear of what the Treasury Procurement Division will do, based on what I have already seen in connection with the disposal of surplus material. I have been very critical of the Treasury, not only on this committee but right to the face of the man who is in charge of the administration down there, and I do hope, as I said before, that your agency will have the power to change their whole procedure if they are to dispose of these goods. That is one reason that I have been very sympathetic with Mr. Patman's bill, because, generally speaking, he was channeling the disposition of these so-called consumers' goods at all times under

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the hand of a certain administrator, so that the Congress, or whoever else might want to inquire into the matter, could round these things up and know what was taking place.

You pointed out that the Treasury has different branches scattered all over the country—Chicago, Salt Lake City, San Francisco, Houston, Dallas, Atlanta, New Orleans, and so forth. I do not know any way in the world that Congress could possibly round up the Treasury Procurement operations to the extent of 25 or 50 billion dollars' worth of goods. But if your agency is organized in such a manner, either under statutory provision as proposed in this bill, or under an Executive order, so that you can absolutely dictate the disposal policies or the merchandising policies through the various merchandising experts that you will have in your organization, actually going out and merchandising, advertising, if necessary, feeling out the market, exploring the market and developing markets, I would feel much more comfortable about it.

Does the Executive order give you the authority which I am now expressing, as and when you get your organization completed?

Mr. CLAYTON. I do not think there is the least doubt about it. I just asked Mr. Scott if he agreed.

Mr. SCOTT. Yes, sir; I think it clearly does.

Mr. CRAWFORD. That satisfies me, then.

Mr. CLAYTON. It clearly gives that authority, and we intend to exercise it. If we cannot bring some order into this job, immense as it is, why, then, they better get somebody else to do it because I think we have the authority and responsibility. I do not think there is any question about that.

Mr. KUNKEL. Will you yield for a question?

Mr. CRAWFORD. Yes.

Mr. KUNKEL. What effect do you think the merchandising policies will have if you do not have good merchandisers to carry them out? If you want my opinion, I think the record shows that they are the poorest ones in the country. It takes time to get good men in the organization who will have a sufficient grasp of consumer demand for war surplus material. If you can get them, you will do a reasonably first-class merchandising job on these goods.

Mr. CLAYTON. That is what we hope.

Mr. KUNKEL. I think it is possible to do that.

Mr. CLAYTON. We interpret this order as giving us the authority, and we intend to so proceed with our men to take a careful look at the Treasury, the R. F. C., the Maritime Commission, the War Food Administration, from the point of view of the disposal of surplus property, to see that they are properly organized to do it. It is our job to see that they are organized to do this job, and that is what we intend to do.

The CHAIRMAN. Have you the authority to fix the minimum prices of these goods?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN Have you been doing that?

Mr. CLAYTON. No, sir. As I say, we are not yet fully organized to take hold of it. I san see that in some cases we will be fixing the minimum price. I will give you an example of the sale of wool. We did fix the minimum price on wool. We had 320,000,000 pounds of foreign wool owned by the Defense Supplies Corporation which the

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W. P. B. told us was considered surplus and might be disposed of. So we put this wool up at auction in Boston. We have had two auctions so far. We put a minimum price on it, and the O. P. A. put a maximum price on it, and we traded in between those two levels—a matter of 10 percent. Some of it was sold at the maximum O. P. A. price and some was sold at the minimum, and a good deal in between.

Miss SUMNER. Why does the O. P. A. put a maximum price on what the Government is getting?

Mr. CLAYTON. They do that.

Miss SUMNER. Is that your idea of a good policy?

Mr. CLAYTON. It would seem to make sense because the Government is going to have a great deal of property for sale in time. If there were no maximum price on Government property and you could sell it at maybe 50 percent or 100 percent more than private property is being sold, you would certainly introduce an inflationary element that might defeat the very purposes of O. P. A.

Miss SUMNER. Have you any objection to a provision in this bill which would provide that nothing could be sold for less than cost until it was first offered at at least cost? In other words, to protect the Government to the extent that if there was anybody willing to buy at cost you would not sell at less than cost?

Mr. CLAYTON. I cannot see right at the moment—I do not want to be too definite about it—I cannot see right at the moment that that would be embarrassing or would do more than perhaps delay things some. I cannot see at the moment that it would do more than that.

Miss SUMNER. You can see that it would save us a lot of money, can you not?

Mr. CLAYTON. Not necessarily. If we have people selling this property who know what they are doing, they will sell it for whatever the market will pay. After all, what you are going to get for this property may in many cases have little relation to what it cost.

Miss SUMNER. I understand that; but what I am trying to do is to protect the Government against people who are going to go out and dump goods on the market at great loss to the Government when there is no necessity for it. I cannot see the harm of having such a provision, unless it be in the case of perishable goods.

Mr. CLAYTON. I cannot see any serious objection to it, except possibly one of delay.

Miss SUMNER. If anybody in your organization thinks of an objection to it, I would be glad to know about it.

Mr. CLAYTON. I will be glad to look into it.

Miss SUMNER. We have been told that there would very naturally be a lot of racketeers anxious to pick up this property and speculate on it. Do you see any harm in putting a criminal provision in here directed as against conspiracies to defraud the Government by getting the property for less than it is worth?

Mr. CLAYTON. I would think that might have some serious consequences in frightening off buyers at a cheap price. They might feel that while they had clean hands and they would not in the end suffer, they would not want to go through the embarrassment and the expense, and so on, of possible prosecution.

Miss SUMNER. Does not that depend upon how the amendment is phrased? If it is made very clear that there must be malice, intent,

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and positive action, so that innocent persons will not be caught in the amendment, what would be the harm?

Mr. CLAYTON. I would be a little afraid of it. I would be afraid that it would frighten off good, sound, substantial people who would come in otherwise and buy. You are going to find a great many special-purpose articles made by the Army and the Navy. A thing may have cost $600, but when you try to dispose of it it might be worth only $6. You might find a perfectly responsible outfit that would be willing to pay that for it, and you might be glad to get it. But a provision that they might be subject to some criminal prosecution I would think might, in those circumstances, be dangerous.

Miss SUMNER. Has anybody in your organization looked into whether there is anything in the criminal law that would be a good protection against that?

Mr. CLAYTON. Mr. Scott tells me that he thinks the present statutes are a pretty good protection against any fraud against the Government at the present time. I think our best protection in a matter of that kind is to be so organized that we are going to have people that won't give things away and won't sell them to speculators. One of the principles on which we are going to operate is not to do business with speculators.

Miss SUMNER. Of course you know that when the time comes, when you have $50,000,000,000 worth of stock to dispose of within a relatively short period, that is going to be a difficult thing. But the idea of saying that you are going to get enough merchandisers who, because of their ability, are going to protect us—I think that is a little too much. Don't you really think so?

Mr. CLAYTON. I think we can make rules that will protect us pretty well against speculators. Wherever you sell a thing by negotiation instead of by auction or sealed bids you can make pretty certain that the party with whom you are negotiating and to whom you will sell is someone that has been in the trade for some time and is an established business concern.

Miss SUMNER. Of course, you never know whether he is acting for somebody else or not, do you?

Mr. CLAYTON. No.

Miss SUMNER. That is the way these buyers operate, is it not?

Mr. CLAYTON. I think you can include in your terms of sale certain conditions regarding that difficulty which would help, and you can also do it if you are auctioning the property. You can say that the property will be sold to the highest bidder, provided he can buy as an acceptable purchaser under rules which will be laid down, one of which will be that we are not going to sell to speculators or promoters. But I recognize, Miss Sumner, that you cannot be sure that you will always get by without getting into the hands of some people that you might not like to trade with.

Miss SUMNER. It occurs to me that you would have a nice lot of pressure from office holders or constituents who might want to get hold of this property.

Mr. CLAYTON. I would not expect that.

Miss SUMNER. In case there should be, is there any provision that might occur to you to put into a bill like this that would prohibit that?

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Mr. ROLPH. You mean, to prohibit a constituent of any Congressman from bidding on stuff?

Miss SUMNER. Oh, no. I mean, they would use political influence to get hold of the articles.

Mr. CLAYTON. I do not want to appear to be utterly devoid of suggestions for legislation, but I have not given any thought to legislation at all; I have been so busy with this problem of trying to organize and to set up some preliminary conditions under which these things will be done, that I just have not given any thought to legislation.

Mr. CRAWFORD. What power have you to reach in and acquire jurisdiction or control over goods which are in the hands of processors during the period of contract termination negotiations; or who is going to have control of that particular phase of the problem?

Mr. CLAYTON. That is a subject that we are wrestling with right now. Under the Executive order we have no jurisdiction until property is declared as surplus property by the owning agency. In contract termination a geat deal of property will come to the Government as a result of termination, and we are trying to work out now with the War Department and the Navy Department some rules and procedures under which that property can be disposed of in connection with contract termination to the contractor or someone else. If we can safeguard it properly, that will, of course, lighten the burden of disposal a great deal. These contracts are being terminated, as you know, all over the country, and the problem is a very big one. The mass of stuff that will be coming to the Government in that way is very great.

Mr. CRAWFORD. I do not think there is anything in this bill that touches on that particular item at all.

Mr. CLAYTON. In the Patman bill?

Mr. CRAWFORD. Yes.

Mr. CLAYTON. I do not recall. I do not believe there is. As a matter of fact, Mr. Crawford, that kind of property has two aspects—one is property which has not yet come to the Government; and, you see, many contractors, as a result of changes in design and as a result of getting more material than they need, possibly, have surpluses. If some scheme can be worked out whereby those surpluses can be disposed of by the contractor before they become Government property, that will be a useful thing to do.

Mr. CRAWFORD. That is exactly the property that I am talking about.

Mr. CLAYTON. The other aspect of it is that at the time of the termination this property becomes the property of the Government; and we are trying to work out procedures under which the terminating officer can arrange for the disposal of that property at the plant at the time. There are many reasons why that should be done if it can be done. One is the physical one of storage, which is getting to be a very serious problem, and it will get more serious as we go along. So that in the termination of these contracts these contractors are going to want to get rid of their stuff as quickly as they can, to do something else. They have Government machinery and equipment in their plants. So, if some disposition of the machinery and equipment can be made to the contractor at the time, to be used in his own business, that ought to be done. We are dealing with those problems right now.

Mr. CRAWFORD. It might be a good thing if we could take over the undisposed-of production. Let us take jeeps, as an example. Suppose Willys-Overland, at the time of the termination of the contract,

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and as it moves in to the day of actual termination, have on hand 1,500 jeeps. It might be that Willys-Overland would be willing to take all of those 1,500 and thereby prevent that many going into the hands of the Government agency to be certified for sale. Is that what you are thinking about?

Mr. CLAYTON. That is right; yes, sir, exactly. The main problem, though, is the semiprocessed stuff. That is going to be a thing that will give everybody a headache, because when the contracts are terminated, the wheels stop and everything that is in the pipe line or that is in the machinery that is half finished, stops, and the problem is how to get rid of that stuff.

The CHAIRMAN. Does the Executive order direct you to carry out the general purposes of the Baruch report?

Mr. CLAYTON. No, sir; not in specific terms. It makes no reference to the Baruch-Hancock report. It just gives general powers.

The CHAIRMAN. The Baruch-Hancock report divided the authority with reference to products—food to the War Food Administration; consumers' goods to the Procurement Division of the Treasury, and capital goods to the R. F. C., and ships to the Maritime Commission?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. What do you think of that as a general division of authority?

Mr. CLAYTON. It seems to me to be logical, because it assigns the function of disposal to those agencies of Government which already are organized and set up, and they have dealt with the particular class of property that is assigned to them.

The CHAIRMAN. They know what the property cost, and to whom it will be useful?

Mr. CLAYTON. Yes, sir; I would think so.

The CHAIRMAN. Under this bill I believe the Reconstruction Finance Corporation could dispose of foodstuffs. Do you think that would be the proper agency to dispose of foodstuffs?

Mr. CLAYTON. Do I?

The CHAIRMAN. Yes.

Mr. CLAYTON. I think the War Food Administration would be the better agency to dispose of foodstuffs.

The CHAIRMAN. You do not know of a better division of authority than that set up in the Baruch-Hancock report? You have no suggestion of any better division of authority to dispose of surplus property than that suggested by the Baruch-Hancock report?

Mr. CLAYTON. No, sir; not at present. I would like to make this point, that even when you divide this disposal function among several agencies of Government, when we came to the avalanche of stuff to be disposed of at the end of the war, every one of them will have a big job.

Mr. DILWEG. You mentioned a little while ago that you sold wool recently, and you have a minimum price on wool. What happens if you cannot procure the minimum price?

Mr. CLAYTON. Then we have to decide whether we will keep the wool for the present or lower the price.

Mr. DILWEG. In other words, it would be a question of your storing the material until you got your minimum price or disposed of it at a lower price?

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Mr. CLAYTON. It is already stored, of course. It has been in this country for 2 or 3 years.

Mr. DILWEG. I am not talking about wool in particular, but any product. Your policy, as I follow you, is that you are setting a minimum price?

Mr. CLAYTON. We did in this case.

Mr. DILWEG. Is that the general idea that you have in the disposal of property?

Mr. CLAYTON. I would not say so necessarily. I do not know that we would fix a minimum price in every case, as long as we were sure we got the market. It depends on the commodity and on the circumstances.

Mr. DILWEG. What I am trying to get at is this. I cannot quite see how you can dispose of material at a reasonable price without getting into a position where the Government might be competing with another industry in the disposal of property.

Mr. CLAYTON. Of course, as I said a moment ago, there is a pretty big market for nearly everything; but, obviously, when the Government sells anything it may be competing with private concerns who have the same thing for sale.

Mr. DILWEG. Let us assume that there is a glut on the market of a particular item, and the Government wishes to sell that item. Is it the intent or the policy of the Government to permit this item to stay in storage until you can procure a reasonable price?

Mr. CLAYTON. As I said a moment ago, that is something that we will have to decide in each case, based on knowledge of the commodity, the markets, and so on. We cannot fix a pattern or a formula.

Mr. DILWEG. I realize that.

Mr. CLAYTON. It has to be done in each case separately.

Mr. DILWEG. In that event, of course, we can see where there would be sacrifices on the market if you must dispose of it immediately.

Mr. CLAYTON. I do not understand that we must dispose of it immediately. In fact, that is one of the reasons that this agency was set up, because it was felt that there had to be some agency of Government which would have the responsibility of making the decision of whether to sell or not to sell. That is the decision that we are going to have to make.

Mr. DILWEG. Then I assume that it might go on for years, in order to dispose of this property?

Mr. CLAYTON. I would not think that the amount of property that I think all of us can imagine we will have involved in this operation could be disposed of very quickly. It is going to take a long time. To begin with, we will not get the bulk of these surpluses until the war is over.

Mr. DILWEG. I was not here and did not have the benefit of your statement; but is it also going to be your policy to consult with groups of people who have a particular business interest in a particular item?

Mr. CLAYTON. It certainly will be. We want to get every benefit of information and experience that can be made available to us. It is our idea that conferences of that kind will take place rather between the disposal agencies and these industry advisory groups instead of between the industry advisory groups and our agency, because the

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disposal agencies have the job of actually selling the stuff, and we think that whatever advice and suggestions or plans or recommendations the industry advisory committees may have to offer would better come to us through the disposal agencies who have the real job of disposal, than for us to set up a big organization to confer with all these committees and then pass on down to the disposal agencies whatever of benefit we might get from that policy.

Mr. WOLCOTT. I am going to ask two questions to provoke thought. How does the Reconstruction Finance Corporation enter into this?

Mr. CLAYTON. The R. F. C. is named in the Executive order as the disposal agency for all capital goods, plants, equipment, machinery, machine tools, producers' goods, such as raw materials, and scrap.

Mr. WOLCOTT. Under the R. F. C. Act the powers and authority of the Corporation are limited. I think Mr. Scott probably had better do some work on whether the R. F. C. has broad enough powers.

Mr. SCOTT. Let me say one thing that I did not make clear before when I was discussing the question of the exercise of power in this Executive order. I do think it is clear that Mr. Clayton's administration has the power to direct the policies of these disposal agencies; but the Executive order does not purport to enlarge the legal powers of anyone to make disposal. In other words, it specifically says that disposals must be made in accordance with existing law. So that if, under existing law, there are limitations and difficulties such as those mentioned, they certainly will require legislation.

Mr. WOLCOTT. I just ran through the R. F. C. Act, and it does not seem to me, offhand, that they have the power under the act to dispose of all capital goods. The goods which they can dispose of are set forth with some degree of definiteness.

I think you should have in mind also the Price Control Act, which prohibits the sale or disposal by any agency of the Government of any agricultural product or manufactured product below certain standards set up in the Price Control Act. I do not know whether you had that in mind when you said it might be necessary with respect to wool to sell it below the minimum price which you have now set. I understand that the Administration has waived that in some manner or other; I presume, under a provision in the act which authorizes the President to dispose of them under regulations. Of course, my understanding of the law is that the President cannot issue a regulation which is not in conformity with the law or which amends or modifies the basic law. So perhaps, Mr. Scott, you will have that in mind and analyze it from that standpoint, because we do not want you to go out and do something which you would not otherwise do and get into a quarrel with the Congress about it, as O. P. A. has done. O. P. A. is "in the dog house" because they arrogated authority which was never given to them. As a consequence, this committee will have to clarify the power of the O. P. A. to control prices.

Mr. CLAYTON. We certainly will keep that in mind and recommend to those agencies that they have their legal departments examine carefully as to what their powers may be in that respect.

Mr. WOLCOTT. If the R. F. C. needs power and has not got it, I think if you will consult the committee on the necessity for it, you

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would not have much trouble in getting the authority. We are rather sensitive about the arrogation of powers.

Mr. KUNKEL. I notice in the Executive order that the word "agency" is used throughout, and I was curious to know whether or not the word "agency" includes Government corporations. I presume it does.

Mr. SCOTT. Yes, sir. There is a definition in paragraph 6 (a) which provides that—

"Government agency" means any Executive department, independent establishment, agency, commission, board, bureau, division, administration, office, service, independent regulatory commission or board, and any Government-owned or Government-controlled corporation.

Mr. SMITH. In connection with the question that was brought up a while ago, referring to page 5, line 16, providing that the—

Distribution of such property shall be through established trade channels—

and so forth.

Is it not your purpose to take care of situations such as were described by Mr. Crawford, through this provision?

Mr. PATMAN. I do not know just which part of Mr. Crawford's statement you refer to, but this language, Dr. Smith, is rather plain.

Mr. SMITH. I understand that the Treasury sells these surplus war goods directly; that they are not passed through regular trade channels.

Mr. PATMAN. They may pass through regular trade channels or not, I assume.

Mr. SMITH. But your bill specifically provides what is to be done. Is not that correct?

Mr. PATMAN. I think you will find that it says—

Surplus property which the Board has determined should be sold or leased shall be sold or leased by the Reconstruction Finance Corporation in a manner consistent with the provision of this section.

And of course that is one of the provisions of the section. I think it is rather plain, Dr. Smith.

Miss SUMNER. I do not think so.

Mr. SMITH. No; I do not think it is plain. It is quite a problem to channel all those surplus goods through regular trade channels. I am not saying it is impossible. I am inclined to think it would be good procedure. But I would clarify that a little more.

Mr. PATMAN. If you will read subsection (e), you will see that it provides:

In the sale or lease of surplus property pursuant to this title, the Reconstruction Finance Corporation shall be governed by the following considerations:

I do not think that language makes it compulsory.

Miss SUMNER. The more I think of this, the more I think we are getting a lot of social work in here, and I am wondering whether we ought not to talk more of a policy to let the Government make some money out of this. The distribution of such property through established trade channels would mean that you might go down to Sears and Roebuck or Montgomery Ward and they would offer you a certain price, and over on the other side of the street would be some other concern who would offer the Government that price; but because Sears and Roebuck and Montgomery Ward are established trade channels,

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you dispose of it to them at a low price, and the Government would come out with much less money than if the goods were sold to some new business place. We want the Government to get the most out of it that is possible.

Mr. PATMAN. I want to say, Mr. Chairman, that if we should look the country over we cound not find a better man for this office than Mr. Clayton.

Mr. CLAYTON. Thank you, Mr. Patman.

The CHAIRMAN. If there are no further questions, we will adjourn until tomorrow morning at 10:30 a. m.

(Whereupon, at 12:20 p. m., the committee adjourned until tomorrow, Tuesday, March 21, 1944, at 10:30 a. m.)

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TO AMEND THE RECONSTRUCTION FINANCE CORPORATION ACT BY ADDING A NEW TITLE THERETO

WEDNESDAY, MARCH 22, 1944

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10:30 a. m., Hon. Brent Spence (chairman) presiding.

The CHAIRMAN. The committee will be in order. We have with us today Mr. Hancock, who has collaborated with Mr. Baruch in the Baruch-Hancock report.

Mr. Hancock has had very wide experience in the subjects we shall discuss, and we are glad to have him with us today. Have you a prepared statement, Mr. Hancock?

STATEMENT OF JOHN M. HANCOCK

Mr. HANCOCK. No, sir.

The CHAIRMAN. Do you want to make your statement without interruption?

Mr. HANCOCK. I have no statement at all. I will try to answer your questions as you ask them.

The CHAIRMAN. Very well, sir. You may proceed.

Mr. HANCOCK. I do not know where you should like to start. What particular problem do you wish me to start on?

Mr. PATMAN. At this point, Mr. Chairman, I would like to ask a few questions.

The CHAIRMAN. Mr. Patman is the author of the bill, and we can start with some questions by him.

Mr. PATMAN. We are considering H. R. 4420, Mr. Hancock. Have you had occasion to examine the bill?

Mr. HANCOCK. I wonder if I have the same one. The one I have is marked "3873."

Mr. PATMAN. Yes; it is the same bill, with a few changes.

The CHAIRMAN. I sent you a mimeographed copy.

Mr. HANCOCK. I did not identify it as the same thing.

Mr. PATMAN. Anyway, it is practically the same bill except it leaves out real property, property attached to the realty, and services. It is practically the same otherwise.

Have you come to any conclusion as to the advisability or inadvisability of legislation of this type, Mr. Hancock?

Mr. HANCOCK. I have no question about the advisability of such legislation, but I do not think it should be done at this time.

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My reasons are I do not think any of us know what should be done. I am in favor of congressional action on the problem, but I could ask a lot of questions I cannot find answers to.

Mr. PATMAN. You think it better to have some experience before attempting to set forth a legislative policy?

Mr. HANCOCK. Yes, sir.

Mr. PATMAN. There are a lot of things going on I do not think the Members of Congress are pleased with, Mr. Hancock, in the disposal of this property.

Mr. HANCOCK. Yes, sir.

Mr. PATMAN. And you are acquainted with a lot of things you do not approve of, are you not?

Mr. HANCOCK. Yes, sir.

Mr. PATMAN. Do you want those to continue where you know certain things can be stopped? Do you not think we would be safe in doing it now?

Mr. HANCOCK. I do not think we are talking about the same thing. I do not think legislation will stop it, either.

Mr. PATMAN. I know, but like it has been the Procurement Division of the Treasury—that is the Division that has most of this property?

Mr. HANCOCK. It has disposed of most of it.

Mr. PATMAN. They are the ones that have been doing the things we do not like. This would change that set-up just a little bit and set forth the policy as to what should be done. But you think it is inadvisable to legislate as a policy now?

Mr. HANCOCK. Yes, sir.

Mr. PATMAN. How long do you think it will take before we have that experience?

Mr. HANCOCK. Mr. Clayton would have a better opinion of that than I would. I would hope in 2 months it might be developed in definite form. You are still going to have the problem of operation after writing all the laws, and you are still going to have differences in values.

Mr. PATMAN. I believe Mr. Baruch has said all of the time, and you have said, too, there should be a legislative policy fixed by Congress?

Mr. HANCOCK. We have never had a question about it from the start in Washington.

Mr. PATMAN. Under this Executive order do you think everything can be done now that should better the disposal of this property than under a law?

Mr. HANCOCK. I do not know of anything that could be done, sir.

Mr. PATMAN. It can be done under Executive order. You say a law should not be passed now. Why should a law be passed at all in the future?

Mr. HANCOCK. Because I think it is wise for Congress to set up policies rather than leave them to the Executive. It is wider responsibility than an Executive ought to have alone.

Mr. PATMAN. You take, for instance, the legislative policy as set forth in this bill commences on page 4.

Mr. KUNKEL. Mr. Patman, will you yield to me for a question?

Mr. PATMAN. Yes, sir.

Mr. KUNKEL. Mr. Hancock, what you propose is to have an Executive disposal policy and then have Congress rubber-stamp it?

Mr. HANCOCK. That is not the word I used.

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Mr. KUNKEL. It is not the word you used, but is that your idea?

Mr. HANCOCK. No. But out of experience, limit what you are going to do out of Executive order. Then if you know what you are going to do I have no objection to doing it.

Mr. PATMAN. Do you not think we should profit by the experience of the last war and not start out on a policy that might commit us to the errors we had after the last war?

Mr. HANCOCK. I do not carry in mind what you carry. I was on the Navy side. I had charge of the Navy supply purchasing and I do not recollect they could stop anything after the war by legislation as to the sale of material. Of course, there are retangles of those days that come in the situation today.

Mr. PATMAN. I think it is well known that the Government sold large quantities to speculators and promoters and they got out and peddled it around over the country, disturbed business over the country, did not help the consumer, and did not help the Government. That is surely understood.

Mr. HANCOCK. That is true. We know that. I do not see why that Executive order——

Mr. PATMAN (interposing). In other words, you think the Executive order will be sufficient without the law?

Mr. HANCOCK. Just a minute.

Mr. PATMAN. Go right ahead.

Mr. HANCOCK (continuing). Should not be sufficient for a period under the Executive policy.

Mr. FORD. Mr. Hancock, this policy has been set up, or your organization, or whatever you want to call it has been set up, for the first thing to study that problem, and then gather together a staff to carry out the results of your conclusions; are not those the facts?

Mr. HANCOCK. No, sir.

Mr. FORD. Why?

Mr. HANCOCK. Mr. Baruch and I were asked by Mr. Byrnes to survey this problem of the war and post-war adjustments.

Mr. FORD. That is exactly what I asked in my question.

Mr. HANCOCK. No; there is no organization beyond us. We utilized the personnel agencies of the Government.

Mr. FORD. That is true. I said "study," and you said "survey."

Mr. HANCOCK. I thought you said organization.

Mr. FORD. The first thing you do is you survey the whole problem and you will find dips, angles, and spurs, won't you?

Mr. HANCOCK. Yes.

Mr. FORD. Then, after you have done that you will try to check any possible, wild throwing away of money? You have authority to do that, do you not?

Mr. HANCOCK. Mr. Baruch and I are only advisory today. Today under Executive order Mr. Clayton is in charge of the general policies regarding the disposal of surplus, and Mr. Clayton has all the power. All Mr. Baruch and I did is to make the report.

Mr. FORD. Are you not associated with him?

Mr. HANCOCK. Am I under Mr. Clayton or his Board?

Mr. FORD. Yes.

Mr. HANCOCK. No, sir; I am not.

Mr. FORD. You are not associated with Mr. Clayton in this matter?

Mr. HANCOCK. No, sir.

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The CHAIRMAN. Your duties ceased when you filed the report?

Mr. HANCOCK. So far as the disposal of surplus is concerned.

Mr. FORD. Let me put it another way: Would it not be wise after this war for whatever it is Clayton has charge of to give them an opportunity to survey the situation, and if they find things they cannot do under their Executive order then make recommendations to Congress, bring the matter in here and have it gone over and let Congress definitely decide a policy?

Mr. HANCOCK. Yes, sir; we so recommended specifically in just about those words in our report.

Mr. FORD. That is my understanding. In that case I think any legislation at the present time is premature. I do not think we know sufficient about it. With all due deference to Mr. Patman's committee, and they have made a very careful study and all of that, but I am satisfied in my own mind even with all their study when a specific organization undertakes to survey the problem they will find they need a lot of authority to do a lot of things and it will have trouble, and for that reason I am opposed to passing legislation at the present time.

Mr. PATMAN. What did your committee recommend about sales to speculators and promoters, Mr. Hancock?

Mr. HANCOCK. I do not remember the page of the report now, but I believe this, that the Government should not allow somebody to do its selling for it. That was the result of the kind of organization you are speaking about in the last war. As to these concerns which have no other property in the world I think that kind of concern will be outlawed; I think Mr. Clayton will outlaw them; I have no doubt about it.

Mr. PATMAN. You said it sought to deal with speculators and promoters. That will stop a lot of upheavals which occurred after the last war.

Mr. HANCOCK. I cannot find the page of the report upon which that occurs at the moment.

Mr. PATMAN. I will yield to somebody else who desires to ask some questions.

Mr. CRAWFORD. Mr. Hancock, I hope you won't get offended, but would you mind stating for the record something of your past experience? Some of the members of this committee do not know what your connection has been with Government agencies.

Mr. HANCOCK. Yes, sir; I will be glad to.

I grew up as a youngster in North Dakota, graduated at the university, and became a naval officer in 1904. I was interested in war planning. I came back to this country from China at the outbreak of the European War. I had immediate charge of all naval supply purchasing for 5 years until I resigned at the end of the war. During that time I developed the plans on the supply end for meeting requirements of the service during the war. I served on the War Industries Board, the Price Fixing Committee, and the Requirements Committee, which was the executive body of the War Industries Board.

At the end of the war, and after all contracts under my jurisdiction were settled, except one which went to the Court of Claims, I became associated with Lehman Bros. I have been with Lehman Bros. 25 years this fall.

Mr. CRAWFORD. That is the banking firm?

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Mr. HANCOCK. Yes, sir; and during that time my experience has been naval preparing and naval planning. I have been down here for various jobs at various times, unhappily, all during July and August.

Mr. CRAWFORD. Then at the present time you have no official connection with any of the governmental machinery, have you?

Mr. HANCOCK. I have taken the oath of office. I am not on the pay roll.

Mr. CRAWFORD. You are not tied in as an employee, except, perhaps, in an advisory way into this new machinery that has resulted from the Baruch report and Executive orders?

Mr. HANCOCK. I agreed with Mr. Byrnes I would act as chairman of this Joint Contract Coordination Board, which is a joint body among the six agencies now. It is being expanded to see them through the policy-forming stage.

I have not made any decision as to what will happen after that work is done.

Mr. CRAWFORD. In other words, under Executive order it is not up to you to release any policies under your committee as it is with Mr. Clayton?

Mr. HANCOCK. No, sir.

Mr. CRAWFORD. That is what I want to get clear.

Mr. Hancock, by reason of your participation in this whole program and your experience in the banking field is there anything that you could say to the committee to give us a little enlightenment on some of your views and what you think should be done from the standpoint of the banks in the country in this general approach? In other words, it appears to me that what the banks may or may not do, and by that I mean Federal Reserve banks as such and all commercial banks, members and nonmembers, they have a tremendous thought to present in this determination and liquidation of contracts and the disposal of all these surplus properties, and up to date I do not believe the subject has been mentioned in connection with these hearings. Would you care to mention your thoughts on this subject?

Mr. HANCOCK. Yes, sir; gladly. None of us can know how large the volume of contract terminations will be. I am not assuming something, but I am going to assume something substantially. As long as the procurement is going on the whole buying machine of the big services of the War, Navy, and Maritime outfits, and so on, are busy in the procurement, and the termination of contracts is minor, although troublesome, today.

I am convinced thoroughly you can pass laws and pass laws on the contract aspect and laws specifically providing T-loans but until the banks of the country get behind those loans to get the contracts covered by those loans we are running a grave risk of a serious panic because of the delays in cleaning up war plants and getting the materials out and getting the men paid. It is so great we will stop the country if we do not have the banks of this country get back of this T-loan. I do not think hardly a day goes by but what I talk to some bankers. I talked to 50 men in the banking business in Chicago yesterday. I have had uniform assurances they will inclusively tackle the job. Some of them lack some assurance, but we will have to encourage those to go ahead.

Mr. CRAWFORD. You feel, based on your own knowledge of the present banking laws and the attitude of the bankers as related directly

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to this banking problem, they consider we should consider additional legislation?

Mr. HANCOCK. Yes, sir.

Mr. CRAWFORD. Would you care to say whether or not there is any movement among the bankers to ask for that legislation?

Mr. HANCOCK. There is a movement in the Government to do it. Legislation has been drafted, and it has been under very active consideration.

The immediate difficulty is this: Under present law the War, Navy, and Maritime and so on may guarantee loans for the sake of production. But obviously when we do not need production any more they cannot make any further loans or guaranties. There is not power today for the Government to make a loan to take care of a contractor after his contract is terminated.

Mr. CRAWFORD. Would you go so far as to say you feel that any banking legislation should somewhat come along with such legislation as may be enacted to implement the present program on the subject now before the committee?

Mr. HANCOCK. That is all a part of the contract termination; yes, sir.

Mr. CRAWFORD. Now, on page 15 of Senate Document No. 154, which is a report on war and post-war adjustment policy by Bernard M. Baruch and John M. Hancock to James F. Byrnes, Director, Office of War Mobilization, on February 15, 1944, I find this language:

NO SEPARATE AGENCY

The agencies that did the mobilizing will have to carry out their comparable tasks in the demobilizing. At the present stage of the war, preparations for demobilization are inseparable from the actual conduct of the war, from the constant adjustments required by the war. For this chief reason, we are opposed to the creation of a new, separate Office of Demobilization.

Such an agency could hardly avoid coming in conflict with every other war agency and would hinder the prosecution of the war. By the nature of its assignment, we fear it would tend to become a pressure agency seeking to quicken demobilization for its own sake, forgetting war needs.

Then on page 16:

CONGRESS CAN SET POLICY

We do believe Congress should lay down whatever policies it feels wise and desirable to guide the existing agencies in their handling of demobilization problems. This view was expressed before the Special Committee of the Senate on Postwar Economic Policy and Planning on December 21, 1943. The weeks of intensive work on these problems that have passed confirms that judgment.

Then follows:

ELIMINATE OVERLAPPINGS

Later, it may be advantageous to create a new, clearly post-war agency to liquidate present war agencies. Right now, there already is too much overlapping Government machinery for the most efficient functioning of Government. Economies can be effected and manpower released.

We recommend that the Bureau of the Budget maintain a running study of the functions of all war agencies reporting regularly to the Director of War Mobilization with recommendations for eliminating overlappings, for discontinuing unnecessary functions, for merging or transferring units for greater efficiency, preparing ultimately to liquidate what is left.

As the tides of war ebb, little pools of Government functions will be left behind in various agencies, and they should be cleared up promptly.

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So, then, will you now say that you feel that this legislation should be deferred for the time being? You have in mind these quotations that I have just given from the report?

Mr. HANCOCK. Yes, sir.

Mr. CRAWFORD. And that in due course Congress should set the policy?

Mr. HANCOCK. That is so.

Mr. CRAWFORD. Then, on page 34 of the report under subparagraph "C. Surplus property," we find this language:

1. The Director of War Mobilization to name a Surplus Property Administrator in the Office of War Mobilization with full authority for handling every aspect of surplus disposal.

2. A Surplus Property Policy Board, the Administrator as Chairman with full and final authority, and with these agencies represented: War, Navy, Treasury, Reconstruction Finance Corporation, Maritime Commission, War Production Board, Bureau of the Budget, the Food Administrator, the Attorney General, Federal Works Agency, State Department, and Foreign Economic Administration.

So far as you have had time to analyze the Executive order and the machinery which has been started to be created under that, is that conforming quite closely to this recommendation?

Mr. HANCOCK. Almost exactly, sir.

Mr. CRAWFORD. Almost exactly.

Now, going on, subparagraph 3 under C:

3. Four major outlets to handle actual disposal, each in a clearly defined field, with no overlappings.

(*a*) Consumer goods to the Treasury Procurement Division.

(*b*) Capital and producer goods, all types of industrial property, to a single corporation within the Reconstruction Finance Corporation, consolidating present Reconstruction Finance Corporation subsidiaries.

(*c*) Ships and maritime property to the Maritime Commission.

(*d*) Food to the Food Administrator.

Those are specifically mentioned in the Executive order, as I understand it?

Mr. HANCOCK. Yes, sir.

Mr. CRAWFORD. Now, in connection with this last observation, and as the result of two conferences to John Sullivan, Assistant Secretary of the Treasury, he this morning placed in my hands a copy of a fairly lengthy statement which he made before the Manchester Chamber of Commerce at the Carpenter Hotel February 23, 1944, and which deals with this question of disposition of surplus goods. And as late as this morning I have talked with him and he presents this as his current view on this subject.

Now, at the time your report was filed I think it could be shown that the Procurement Division was then not following what I term a sensible merchandising policy, and I can understand that somewhat, because for years these goods have been somewhat of a trickle into the hands of the Procurement Division, and although the Treasury was purchasing billions of dollars worth of goods of various kinds, they did not have very much to sell.

Now, then, referring specifically to Mr. Sullivan's statement, he makes this interesting statement on page 6:

Between now and the end of the war, in most commodities we shall enjoy a seller's market. Today there exist unsatisfied demands in the civilian economy, and not only are civilians short of many commodities but the retail stores of this country, the hardware stores, the plumbing-supply concerns, the dry goods

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stores, are short of things to sell. It is our conclusion that we can provide the most equitable distribution of these commodities among the civilian population by disposing of them through regularly established trade channels. We believe that by doing this we shall not only achieve the highest possible degree of equity of distribution but we shall be able to resuscitate many failing retail concerns. It is our intention that the people who are in position to perform a useful service in the disposition of these articles shall be allowed to make a fair, honorable profit on the transaction. It is our determination that the ultimate consumer will not suffer from unreasonable mark-ups by any of these distributors. We are resolved that such commodities as come into our possession will be disposed of in lots of a size which will give the small-town merchant the same opportunity to fill his requirements as the largest department store in the land enjoys.

We intend to conduct this business in a goldfish bowl with every record and every transaction open to the whole wide world for examination. Following Secretary Morgenthau's long-time policy of publicly announcing the details of any new Treasury venture before it goes into effect we intend to make known to the Congress, to the trade, and to the public the techniques to be used in disposing of various commodities. And if our plans are unsound, there will be ample opportunity for anyone to help us correct them.

Then he also says on page 6:

The essence of the whole plan seems to be timing. Already the services have started to turn over to us some commodities which are either temporarily or permanently surplus to their needs. Insofar as it is possible, it is our intention to dispose of these commodities through the regular channels of trade. We do not intend to sell them to speculators. And if anyone is suggesting to you that you invest your money in a concern being organized to buy up Government surpluses, I would recommend that you forego the opportunity, because I can assure you the Treasury Department intends to do business with the people who have been doing business up and down the main streets of our American communities year in and year out, and we are determined to have no truck with any concern that is organized for the purpose of making money out of the war.

Now, as I understand that statement of the Assistant Secretary of the Treasury, he is planning to put in operation an entirely new approach and a new program for the disposition of these surplus materials. Do you feel that the general approach he has now announced is a sound one?

Mr. HANCOCK. As far as I know. I read the speech before, sir, and as far as I recall, outside of some words you might draw attention to, I agree with it thoroughly.

There is only one question I can raise about it all. I do not think any of us have gotten down to a sound basis of procedure as to the sale of items to individuals directly where they need not go through any trade channels provided the supply is adequate and they can get distribution. That comment was related primarily to people forming corporations for the purpose of purchasing garment goods not normally the agents' dealers in garment goods. And everybody I have heard talk in Government about that says that won't happen. There may come a time when it will have to happen, but it is a long way off.

The other idea I am thoroughly in accord with of needing supplies quickly and selling them when the demand is great.

Mr. CRAWFORD. And move as many of them after they are declared to be surplus after it has been determined that there is a tremendous consumer demand although the war may still be in operation?

Mr. HANCOCK. That is right.

Mr. CRAWFORD. Is it your judgment that the Treasury Department and its buying organization if it will take and weave into that same group a marketing mechanicism, department or group, or whatever

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you call it, that the coordination of the buying group with the marketing group can do a better job in merchandizing than it could if an entirely new merchandizing group was set up which is cut off and away from the Treasury Procurement Division?

Mr. HANCOCK. I do believe so as to those particular items when talking about consumer goods.

Mr. CRAWFORD. I am talking about consumer goods strictly.

Mr. HANCOCK. You are going to have limitations on the personnel at the beginning in order to get a good industrial device, but Sullivan is the kind of a man who will get it.

Mr. CRAWFORD. If I am correctly informed the Procurement Division heretofore has failed to use what might be termed normal advertising channels, such as trade magazines, and I think they have also failed to advise with what might be termed interested purchasers of whatever they had to offer.

I think it can also be shown in a majority of cases the Procurement Division has limited prior notices of its sales only to those who have requested their names be placed on mailing lists to receive such notices, and that their mailing lists have apparently consisted of speculators and not what might be referred to as established business firms.

I think also regional offices offer certain items not offered through other regional offices. There is no central agency where people can go and obtain direct information, except perhaps through Washington headquarters of the agency.

When the Washington office is requested to supply interested people with copies of invitations to bid I think it can be shown many times replies have been made to those requests after the goods have been disposed of.

I do not think the Procurement Division of the Treasury has heretofore supplied interested purchasers with full and complete descriptions of items offered for sale.

Take as an illustration machine tools. Here is an illustration of what happened recently. They offered for sale 4,000 pounds of new airplane parts, consisting of engine and component parts; model discontinued.

We had a situation where it offers and sells food stocks, normally requiring ration points, and does not require the purchaser to surrender points at time of purchase. For example, they recently offered 75,000 100-pound bags of pea beans, recently advertised as Government-surplus merchandise by the Surplus and Salvage Sales Co., of Washington. The advertisement said: "No points; prices less than ceilings."

It offers and sells numerous items held scarce by civilian-trade channels which require W. P. B. priorities under normal circumstances and sells these items without need for priorities even when the items are listed as "new and unused."

Practices and offers to sell of that kind are what disturbs us as members of the committee. It disturbs people back in our districts. It disturbs those who have to buy and produce ration points when they do purchase. And I can understand why our colleague, Mr. Patman, here is anxious to get some kind of control established at this time so that these types of control will not be continued.

I am throwing out this detail somewhat in answer to Mr. Sullivan's. I know the viewpoint of the program, we will call it, but here I

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announcing most of these practices which has caused me to be so critical of the Treasury Procurement Division in the disposal of these items.

As in the case of the pea beans and other numerous examples, it permits a speculator to come between the Government and established and recognized trade channels and acquire a profit at the expense of both parties.

It permits controlled materials to be sold by it and acquired by the highest bidder without regard to War Production Board rulings covering such items. Here is another illustration: They sold 1,304 pounds of sheet copper, 36 by 96 inches, 16 ounces. As I understand it, this material is not supposed to be sold or used except under a C. M. P. allotment. All excess copper must be declared to regional W. P. B. offices which, in turn, contact eligible users. If no takers are found in 30 days, it is then referred to Copper Recovery Redistribution Branch, Empire State Building, New York City, where it is listed in the national file for redistribution to other regions in the United States. That is what the general trade has to do.

Mr. HANCOCK. That is right.

Mr. CRAWFORD. I think you will find that the Treasury Department offers its surpluses for sale in lots which, in the majority of cases, cannot be broken, and the successful bidder must take all of the items listed in a given lot. These lots are often assembled without reference to the need or requirement of the average interested bidder. Here is an example on that: One lot consisted of several hundred used drinking fountains and 10,000 new parts to repair said fountains. In the same lot is found a quantity of kerosene lanterns which the successful bidder must also take. I cannot imagine a man who wants to deal in drinking fountains and parts being interested in a lot of kerosene lamps.

Those are the things I believe Mr. Sullivan has in mind correcting. At least that is the understanding I got from him.

Mr. HANCOCK. That would depend upon those items. The description you gave might indicate they were all junk.

Mr. CRAWFORD. Yes, sir.

These lots are also often assembled in such large quantities that only the very largest firms with a national distribution organization can offer to finance the purchase or bid on them. Another example: One lot of electrical equipment offered by the Fort Worth regional office of the Treasury Procurement had more than 81,000 separate electrical items, the majority of which were held to be a scarce item by the civilian needs.

Other examples of ill-advised grouping show the following: Drill bits and glass test tubes; fluid for duplicating machine and fluid for hydraulic-brake systems.

To sum up, in the Treasury Procurement we have an alleged merchandising agency which you have recommended as qualified, and yet we find that this agency engages in the foregoing unbusinesslike procedures.

It neither seeks nor secures wide distribution of its products through advertising and sufficient giving of notice of sale.

It utilizes speculative channels in many cases in preference to established trade channels; and does this through insufficient notice to logical customers.

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It fails to provide its customers with full and accurate description of its offerings, thus necessitating an on-the-ground inspection of the product by all interested purchasers.

It violates rulings of other Federal agencies covering priorities and point rationing.

It gives preference to large firms over small ones through its assembling of large quantities of diverse items in one lot for which only the largest and best-financed firms can bid.

And to top this we find in many cases that the Procurement Division of the Treasury has failed to secure as high a bid for an item transferred to it as surplus as did the other service which transferred the item to it for similar items which it sold itself also as surplus. The best example of this is the case of the surplus chinaware which Mr. Patman called to out attention sometime ago wherein the Army secured a salvage price of 12½ cents per plate for new, but surplus, soup plates, but the Treasury Department in seeking bidders for the same identical type of item was able only to secure a top bid of 8 cents per plate.

In that chinaware case, which Mr. Patman uncovered, you will recall that on approximately the same day that Treasury was disposing of approximately 225,000 of these soup plates as surplus at prices ranging from 4 cents to 8 cents per plate the Navy Department was ordering 110,000 new plates, of the same identical description, from an already overworked pottery at a price of 18 cents per plate.

Those are some of the high points that I wanted to get into the record, with respect to what is now going on, along with Mr. Sullivan's emphatic statement that his plan—and he does have in mind setting up a merchandising division, you might say, under the Procurement Department of the Treasury.

So, it seems to me that in view of your statement that you think legislation should be delayed for 60 days or more, and in view of the fact that these goods are now moving under the old policy of the Treasury, which I can understand as being continued until this thing does get into some volume, I think the Treasury should come up here before this committee and make a straightforward statement as to what its present plans are with respect to this particular program. Of course, we understand those plans might be modified by whatever you do in summing up the whole program and looking forward to the legislation.

Mr. HANCOCK. I can tell you Sullivan will be very glad to do it, and I am not going to try to apologize for the statements they have made. But I think the evidence you have is not complete, too, sir. Until you can see the stuff and know the condition it is in it is not wise to criticize or comment because any particular item may mean a very valuable product or a lot of junk.

You will find mistakes under the Executive order or under a law. The volume of stuff coming along is going to make some very bad mistakes, and there is no question about it. A part of our theme was to split it up. We are dealing with the same kind of things in one body, dealing with the same bodies of distributors. I think we would do a better job with a split than to have the uniformity proposed in the bill.

Mr. CRAWFORD. Would you care to make a very rough guess as to the minimum number of years that will be required to dispose of these surpluses?

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Mr. HANCOCK. I think lots will depend upon the policy set up in Congress. If it is going to be free to sell we can dispose of it. If it is going to be held off the market and not sold in order to provide current employment that is something else.

Mr. ROLPH. Is it largely a question of how rapidly the market will absorb them?

Mr. HANCOCK. It is not entirely a question of absorption.

Mr. ROLPH. For instance, Mr. Crawford speaks about speculators. Would storage charges eat it up in their hands?

Mr. HANCOCK. It would in Government hands as well as his, would it not?

Mr. ROLPH. It seems to me how rapidly the market can absorb it would govern how long it would take to dispose of it.

Mr. CRAWFORD. That comes back to my question.

Mr. HANCOCK. That comes back to price. That is the difficulty we were confronted with the last war. I was not here at the time. I assume it was determined to move out this surplus, it was not moved, and they had to take distress bids for it. That is what all the complaint is about today.

Mr. KUNKEL. What I would like to ask is as outlined under your set-up and as outlined under Mr. Clayton's plan yesterday you want to reach the Procurement Division subject to the policies laid down by Mr. Clayton's committee?

Mr. HANCOCK. Yes, sir.

Mr. KUNKEL. Would not that obviate to some extent at least the danger inherent in procurement procedure because there would be a policy by the boards laid down?

Mr. CRAWFORD. That was the reason I said I thought Mr. Sullivan should come up here and make a statement to the committee as to what his plans are because I understand they may have to be modified.

Mr. HANCOCK. That is inherent and it is to perfect a procedure.

Mr. CRAWFORD. In other words, here is a statement he drew up before, as I understand it, the Baruch report was released?

Mr. HANCOCK. No, sir.

Mr. CRAWFORD. Afterward?

Mr. HANCOCK. Yes, sir.

Mr. CRAWFORD. After the Baruch report was released?

Mr. HANCOCK. They were prepared about the same time.

I have known Mr. Sullivan for some years. He knows what we think and are going to write.

Mr. CRAWFORD. Critical things were said here against the Treasury. I said some of them myself. He assures me he does want to proceed along a merchandising program, and he said very frankly—I do not think he minds me quoting him on this—whatever the job it was primarily that of purchasing goods. We all know that. In the stoppage of war facilities the job calls for disposal outlets. This statement impresses me very much, because I had assumed the Treasury would proceed along the same lines it did in selling this volume of $15,000,000 of goods.

Mr. HANCOCK. They were selling last war stuff that had outlived its usefulness.

Mr. FORD. Mr. Hancock, I just want to make one statement. In your long experience in banking and buying and selling for the Treas-

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ury and all of that have you not observed this, that any time a great volume of goods is thrown on the market, even at the present time when a shortage exists, that they have to be absorbed in a pretty short time, and when they are absorbed what are you going to do about bringing plants back to civilian goods? Where is their market going to be if all this stuff is picked up substantially and there is a lull in buying? Is not there a danger there?

Mr. HANCOCK. Surely, and it is going to take wisdom to handle that right. But it will be a long time before those plants are changing back to peacetime production.

Mr. FORD. Before those goods are purchased by a large number of people or a small number of people they have to be put in storage because the company or individual takes a chance to buy them and because he is trying to get it out in regular channels, and I am just wondering whether or not we are building up something here that might have a very bad economic repercussion after the thing is over in trying to get these plants back into civilian production?

Mr. HANCOCK. I think you will have a bad situation in either event. You will have less if you move them early.

Mr. FORD. You will have less if you move them early and get them out of the way?

Mr. HANCOCK. That is right.

Mr. FORD. Because when old plants turn around and start in manufacturing goods, like automobile people, the refrigerator people and the furniture people and other people who have not been able to get out the volumes they wanted, they are going back into business and hire a lot of people and will be building up the tax structure by reason of people having money to buy, which will be profitable in the end. But you can glut the market with a lot of surplus material and injure their chance of getting back by letting that thing go and getting rid of it.

Mr. HANCOCK. I do not believe you can generalize. I do not think we have any such amounts as that outside of jeeps. We have some worn-out material.

Mr. FORD. It will take some years to get back in the production of automobiles?

Mr. HANCOCK. No, sir; I do not think so.

Mr. FORD. Do you think it will take a year from the time of the end of the war?

Mr. HANCOCK. No. Particularly, if they are helped out to get tools and machine tools required for the new models.

Mr. FORD. How about if tools are released?

Mr. HANCOCK. They could if they can get the money.

Mr. FORD. There are going to be financial problems involved too, regardless of whether all the money is in the hands of a few people or in the hands of a lot of people. They are coming into a market that might very easily be glutted. It won't be automobiles, that is true, because they have been out for so long, but there will be other cases, too many, which will be thrown out at once.

Mr. HANCOCK. You are right. We have tried to lay out the theme in this report. It is very difficult to cover it. In the broad theme our main endeavor is for timing.

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Mr. FORD. That is what I am thinking about. That is the whole crux of the problem.

Mr. HANCOCK. That is right.

Mr. FORD. And timing might be defeated by rigid legislation, say thus and so?

Mr. HANCOCK. That is right.

Mr. FORD. And by rigid legislation you can defeat the policy?

Mr. HANCOCK. I do not believe you can give judgment by legislation. You are going to have judgment in the end.

Mr. FORD. We are going to have some kind of legislation later, of course?

Mr. HANCOCK. But you cannot write laws that will give judgment.

Mr. FORD. I think we ought to wait until we have an organization in a position to give individual suggestions, but, nevertheless, have a basis.

The CHAIRMAN. Mr. Hancock, Mr. Baruch, and you were appointed by the President to make this report?

Mr. HANCOCK. Mr. Byrnes specifically.

The CHAIRMAN. How did he happen to appoint you, do you know?

Mr. HANCOCK. How did the President happen to?

The CHAIRMAN. How did he happen to appoint you?

Mr. HANCOCK. You will have to ask him.

The CHAIRMAN. He just appointed you?

Mr. HANCOCK. He just asked us to do the job. There was no order.

The CHAIRMAN. And he accepted your report?

Mr. HANCOCK. Yes, sir.

The CHAIRMAN. How much investigation did the report involve? How long were you engaged on it?

Mr. HANCOCK. On our part 4 months from 7 in the morning until midnight, I suppose.

The CHAIRMAN. Did you have before you all the various agencies of the Government?

Mr. HANCOCK. Yes, sir; and several that are not of Government.

The CHAIRMAN. How is that?

Mr. HANCOCK. And several that are not of Government. I think I saw everybody that wanted to see me from business, from the press, from Congress or anywhere in America. I have not declined or failed to see a single man since early November. If there is any material that we have not seen that is in writing now or that we did not have available I do not know what it is. Of course, it could easily be forgotten, but we have had it and it has been before our eyes.

The CHAIRMAN. And as I understand it you think the formulation of a policy, which I think is obvious, is a legislative function, and the only justification for the Executive orders and directives was the emergent condition?

Mr. HANCOCK. Yes, sir. There is a continuous going on of terminating contracts creating surpluses. I had no basis on how long it would take Congress to act. I thought we should go ahead without having confusion in a war program.

The CHAIRMAN. But you do think when we marshal our facts and have the picture before us there ought to be some legislation to formulate a policy?

Mr. HANCOCK. I am sure unless you do you are going to own this stuff forever.

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I would like to direct your attention to the other important aspect, and that is Government plants, not navy yards, arsenals, and so forth, but synthetic rubber, magnesium, aluminum, and such are going to be a problem and they are going to be a tough one. I have heard nobody yet, outside of somebody partisan, who has come forward with a sound solution that is going to cover that problem.

Mr. FORD. Would you agree with the remark of Jesse Jones that with rubber plants after the war it might be wise to hold them as an ace in the hole to see that people did not suffer by the increased price of rubber?

Mr. HANCOCK. I would go further than that. I would not risk a single rubber plant, and I would not risk another invasion of Malaya. I think it is far wiser to keep them. I have seen it sell at 3 cents a pound, and I have seen it sell at $1.19. I am not wise enough to tell you what the programs should be. I am sure you will find it higher if you destroy the plants in America, and we are going to be open to another invasion from Malaya sometime in the future.

Mr. FORD. Is it not a fact—I do not know whether it is a fact or not, other than what I get from newspapermen and otherwise—when the Japs are pushed out of Malaya they are going to do a much better job of scorched earth than the Dutch did?

Mr. HANCOCK. It is difficult, but they will probably do it.

Miss SUMNER. Mr. Chairman, may I ask a few questions at this point?

The CHAIRMAN. Yes, Miss Sumner.

Miss SUMNER. When you look at this bill, and I have not the Baruch report before me, but it is rather like this bill in this respect, the ordinary taxpayer will look at it and say, "They do not seem to be taking the position that here is a chance to make some money out of the surplus property we have left after the war and pay up some of the debts so we won't have so many taxes."

Mr. HANCOCK. The public might think that after reading our report. I am startled if it is correct.

Miss SUMNER. I am not going to ask you that. For instance, in this bill it has reference on page 6 "to enable the United States to secure a fair return therefor," whereas, if you are going to make the most money you can out of it you are not thinking about a fair return, but you are thinking about as good a profit as you can make.

No. 5, which refers to a prohibition——

Mr. HANCOCK (interposing). That is not my bill, you understand.

Miss SUMNER (continuing). And says, "The sale or lease of such property shall be at a rate which will not unduly disrupt trade and commerce."

Mr. HANCOCK. Or disrupt trade and commerce?

Miss SUMNER. I just want to get your position. Suppose trade and commerce was getting a high price?

Mr. HANCOCK. You could not disrupt trade or commerce by getting a high price, but you could by getting a low price.

Miss SUMNER. We have several other things in here that would deliberately keep the Government from getting the highest possible prices, I think. For instance, No. 2 on page 5 [reading]:

The acquisition of large quantities of such property for speculative purposes shall not be permitted.

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It might be a speculative channel might offer you a higher price than your ordinary trade channel; is not that right?

Mr. HANCOCK. That is conceivable. This is not my legislation.

Miss SUMNER. I am merely discussing it and asking you to comment. I want to find out whether you think you are right or not. Then you have reference to soldiers, and it says in the bill [reading]:

> No purchaser of surplus goods, except an honorably discharged member of the armed forces, shall be permitted to acquire, in any one year, a larger quantity of surplus goods than the amount of goods of the same kind—

and so forth, which again brings in your prices. In other words, as this bill stands, rightly or wrongfully, it offers a subsidy to certain types of people to establish trade channels and to limit the Government to a fair return rather than the largest return? That is all mentioned here, but I believe some others are mentioned in your report.

I would like to have your comment on that. Why is it wrong to give the Government the best prices it can get? Why is it right to give a subsidy for those particular persons?

Mr. HANCOCK. I hope I am not on the defensive, but I did not suggest that.

Miss SUMNER. Do you agree subsidies should be given?

Mr. HANCOCK. Subsidies? No.

On the matter of veterans, I am sure we are going to have so much it will be no great favor to allow anybody to buy garment goods.

I saw this bill yesterday on the train for the first time.

Miss SUMNER. Is not that going to be a question of division?

Mr. HANCOCK. Yes. It is going to give that man more than he would have been able to buy. The man coming back from the war would not have anything of record of previous use. It proposes a preference to him in that regard, but I am sure there is going to be ample for all claimants. I am all for the purpose of these agents being trustees and I think the Government ought to get the fullest price they can get.

The legislation I do not believe implies you will get a moderate price when it says "fair price."

Miss SUMNER. What is your construction of those words "fair price"? It does limit the biggest prices you can get. The word "fair" is a limited word, is it not?

Mr. HANCOCK. I am not sure.

The purpose of this, as I take it, was this: They recognize that these items must be sold, but they must not be given away, and they will always have a question of value as to what point is fair. It does not relate to cost of items originally. The only test of fair value is what you can sell them at today.

Miss SUMNER. What do you understand on that? Is the test limited to what you want to sell it for today?

Mr. HANCOCK. If you want to sell it.

Miss SUMNER. When you know you can get a larger price later?

Mr. HANCOCK. Do you know you can? That is the whole test. That is the whole test of merchandizing as to whether you can afford to hold. You can hold a lot of things but the mere fact of holding them can be forcing them down.

Miss SUMNER. We assume our Government is eternal and, looking at it from our past record, prices have always risen. In other words, most any article unless it is outmoded can be sold for a higher price now on account of higher prevailing prices than it could 100 years ago?

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Mr. HANCOCK. Does that argue that we are going to have that extend for the next 10 years?

Miss SUMNER. Sometime in the future prices are going to rise.

Mr. HANCOCK. I am afraid that is a speculative thought. I do not think so. Commodity prices have not gone up in history. They have gone down in history from the Civil War until recent times.

Mr. KUNKEL. And you never can tell when something will become outmoded?

Mr. HANCOCK. No, and I can find other reasons, too, why it might have no value.

Miss SUMNER. That is all more or less outside of your opinion as to whether the Government should take the best prices it can get. Whatever that is, according to your best judgment, should it be limited in a way so as to give a subsidy for these particular persons I mentioned?

Mr. HANCOCK. It should not be limited. I do not know whether that is all you desire or not.

Miss SUMNER. You agree the first consideration is to get the most money for the Government?

Mr. HANCOCK. That is the idea.

Miss SUMNER. Should not that be the first provision here to get the most money for the Government, and then on the other hand see where it won't interfere with other factors?

Mr. HANCOCK. We keep arguing about words. Whether you take the good of the economy in the long run as the governing factor or take the obligation on the Government you will always find a variance. I am for the fullest measure of both that is reasonable. I do not believe you are ever going to hold prices on the present levels on the basis of war cost when you get back to normal. I do not believe prices will hold. Certainly they will not on many commodities bought for war purposes. Those items ought to be sold under judgment.

Miss SUMNER. What I am trying to get at is you realize like with the tax situation we have a certain group in Congress who want to tax for revenue, and we have others who want to also accomplish social purposes. You have the problem where are you going to sell these with the purpose of making as much money to save tax bills as possible, or are you going to have that limited by other purposes? Of course, as I say, you have social purposes. That is what I want to know. And should not that be in the bill? You are going to start either with one thing or you are going to start with something else?

I got a distinct impression from your book—if I am wrong I hope you correct me—that you had a lot of things in mind about getting the most for their property. Is that right or wrong?

Mr. HANCOCK. You mean is your impression right?

Miss SUMNER. Yes.

Mr. HANCOCK. I am not aware of giving that impression.

Mr. PATMAN. Will you yield for one question?

Miss SUMNER. Yes, sir.

Mr. PATMAN. Do you contemplate an early disposal of this property or over a period of from 5 to 15 years?

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Mr. HANCOCK. You will have to break it down item by item. Many should not be sold quickly.

Mr. PATMAN. Do you think we should adopt a policy of quick disposal regardless of prices and get it out of Government warehouses?

Mr. HANCOCK. No, sir; I do not, because if you do you will destroy employment in America for long periods.

Mr. PATMAN. One other question. Talking about jeeps, I get lots of letters from soldiers saying, "I want to buy a jeep." From what you say every soldier can buy a jeep?

Mr. HANCOCK. I think it is a fair guess he can. If they do not from this surplus the manufacturer can furnish them.

Miss SUMNER. If you are going to give jeeps to soldiers why should we not give them to other people?

Mr. PATMAN. It is not as a bonus or anything like that. It is just allowing them an opportunity to buy a jeep like everybody else.

Miss SUMNER. You mean they just want an opportunity like everybody else?

Mr. PATMAN. It is not a consideration from the Government at all. Some of them want to buy jeeps.

Mr. KEAN. Will the lady yield?

Miss SUMNER. Yes.

Mr. KEAN. The lady from Illinois was talking about social benefits. I do not think quite that. The question is for the Government in the end by selling at higher prices or whether it will not interfere with industry so that industry will be able to employ labor and be busy and the Government in the end will get more taxes out of profitable industry than they would from the original higher prices that they might have sold goods at; is not that right?

Mr. HANCOCK. That will be true in some cases, but you can not generalize.

Mr. KEAN. That is the danger in trying to consider the matter.

Mr. HANCOCK. There have been industries that have expanded at least 20-fold during the war. And if part of those industries last, goods will be available for American for long years ahead. If on the one hand they are held or what not it will employ labor in those industries. The taxpayer says on the other side sell it all. I say between the two there is a balanced judgment. It depends on the facts in the case.

As to those industries which produce for 2 or 3 months production we better get that kind of product sold and get it off as a cloud on the market and then we will all know where we stand.

Those other things we will have to hold unless we can sell them abroad. We have to govern the volume and the timing in the light of the situation in that industry for the best good of the country, and I am combining the best good in price for the product along with type.

Miss SUMNER. I tried to make clear I considered sections 4 and 5 of the bill before the committee as taking care of the situation where you should not do anything to disrupt trade and commerce, because when you ruin industry and cause a panic then you are not going to get the highest prices for your goods.

Mr. HANCOCK. No; I am afraid you are wrong. A businessman would interpret that as again selling at a low price, because if you were to sell a mill in your home town now owned by the Government

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at a low price you can subsidize that business or that area and destroy a dozen mills elsewhere in that area. That is the purpose of that prohibition, as I understand it, and I did not write it.

Miss SUMNER. You can disrupt the market?

Mr. HANCOCK. But you do not ordinarily disrupt the market.

Miss SUMNER. I would like to ask you, Do you have any objection in order to prevent the Government losing money through ill-advised selling entering into the bill a provision which would say that no property of this type could be sold for less than cost to the Government without being first offered at least cost to the Government?

Mr. HANCOCK. I think it would be a pious hope and gesture. It won't effect anything.

Miss SUMNER. Why would it be a pious gesture?

Mr. HANCOCK. It will be only that, because these goods cost more for special purposes. I do not imagine you are paying as an individual or I as an individual war costs for these products. Some of them are used.

Miss SUMNER. Would any good industrialist tell me you would not?

Mr. HANCOCK. Which are we talking about, industry products or commercial consumer goods?

Miss SUMNER. I had in mind machinery out of factories. For instance, factories in Detroit.

Mr. HANCOCK. A lot of men have offered to buy goods at cost, but a lot of others having goods will not pay cost.

Miss SUMNER. In other words, there would be somewhere to get the cost?

Mr. HANCOCK. Sure, as a lot of these things were built before we got in the war in the early days.

Miss SUMNER. Do you not believe it would be a very good safeguard, in other words, to give the Government a fighting chance to get cost, to have the first offer for cost? That is not my idea, but it was suggested by a very good industrialist.

Mr. HANCOCK. Did you ever sell any goods?

Miss SUMNER. I have not the privilege of mentioning his name. I am sure you know who he is.

Mr. HANCOCK. I think myself it would be ineffective. The Government is going to try to get as high a price as it can. I think we are depending on Mr. Clayton for that. If the goods are desirable generally somebody in the industry is going to pay a higher price for them quite regardless of cost.

Mr. CRAWFORD. Mr. Hancock, on that point in your report at page 35, subparagraph 9, you say:

> 9. All of the disposal agencies to make effective uses of industry advisory committees.

That would fit in on that particular phase of Miss Sumner's interrogation. Do you think those advisory committees should have access to Mr. Clayton, the Administrator, or should they be stopped at the conference table of the Procurement Division? As I understood Mr. Clayton when he testified his statement was to the effect that the advisory committees would have to work with the Procurement Division in this particular case instead of with the Administrator. I read you the language in this report. What would be your views on that?

Mr. HANCOCK. It is a new question to me. I had not thought about

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it either way. In an important industry selling goods normally it would, but it is open to question. If Mr. Clayton proposes to have that in the consumer goods I can see no objection.

Mr. CRAWFORD. In other words, if they can get a hearing in the Procurement Division let it rest there and prevent that detail?

Mr. HANCOCK. I am also sure it will be brought to him if they do not get satisfaction, as that is the way things are usually done in Washington.

Mr. FOLGER. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Mr. FOLGER. Mr. Chairman, I have a habit of addressing questions to the Chair. This is not a very heavy question, and it might be a simple question, but a soldier came into my office. He did not know we were having of this kind at the time. He said, "When I come back from the war I am going to farming presently; I am an engineer, but I am going to farming, and when I get back I would like to have an opportunity of buying a bulldozer, a jeep, and maybe a tractor"; he mentioned that, too. "Am I going to have to buy from somebody and pay a big profit, or will there be some division or an agency that will see I get them at a price?" I understand there are four divisions, we will say, handling these goods, but you said something awhile ago about maybe another agency would be set up within the over-all situation to deal with such problems. Where would that soldier or anybody else go outside of those and be able to get these farming implements after they have been channeled through the ordinary marts of trade, or can he get them before they get there?

Mr. HANCOCK. Before you came in I think I mentioned the point that as far as I am aware there has not been adequate thinking done on this outside of having them go through ordinary channels.

But I am satisfied that under any plan an individual is not going to buy to any advantage a used jeep or bulldozer. Those cars have to be reconditioned. I do not picture a farmer using or wanting to use bulldozers of the type used in airplane fields. I do not think he will. He may think so.

Mr. FOLGER. I just mentioned the type of equipment.

Mr. HANCOCK. I think it would be good if we could conceive of some practical plan of selling machinery to individuals and getting it all over the country, but in most cases we are going to have so much surplus. A soldier need not worry about shortages.

Mr. ROLPH. I wonder if the gentleman would yield there?

Mr. FOLGER. Yes.

Mr. ROLPH. Suppose a soldier buys a jeep from the Government. How is he going to get service from the Government?

Mr. FOLGER. I think what he was exercised about was after it was channeled into the usual marts of trade he would probably have to pay an unusual profit. He wanted to pay a fair price for it.

Mr. HANCOCK. I am assuming they are going to have a limitation of profit on those sales, either the Treasury Department or in Mr. Clayton's organization. That is why I am afraid because we do not know enough about it.

Mr. ROLPH. Have you established how much profit these organizations will get? I cannot conceive of this merchandise moving unless the dealers make a profit, as Miss Sumner said. Have you given the discount any thought?

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Mr. HANCOCK. I have not given it any thought.
Mr. ROLPH. It is a fair amount?
Mr. HANCOCK. Yes, sir.
Miss SUMNER. We have the records here and we can get them.
Mr. HANCOCK. I do not believe so, but they are available.
Mr. KUNKEL. Mr. Ford made a remark about not having any rigid legislation: Would you mind commenting whether you consider this rigid legislation and gives plenty of latitude? I believe you discussed it with Miss Sumner on the fair return with considerable latitude.
Mr. HANCOCK. I had another point of comment on that paragraph.
Mr. KUNKEL. I will await my question. I would like to have your comment.
Mr. HANCOCK. I think we have a diverse philosophy running through this. I wonder if Mr. Patman would look this way. When you are free I would like for you to give us your attention, sir.
Mr. PATMAN. All right, Mr. Hancock.
Mr. HANCOCK. I am afraid there is a diverse philosophy running through here that is very hard to bring down to a tangible basis. I surmise it comes from a desire of Congress to legislate. I am in accord with it. But my difficulty is I cannot translate judgment into statutes. That is part of the difficulty you have on this word "fair." I do not know what some of these provisions mean. I do not want to see us do something here that is going to defer efficient business and prevent more efficient business. I do not want to see us freeze the status quo after the war period. I want to have future development in America. If you start trying to cushion all shocks you are going to have to consider everybody. Of course, I can go through the details here. I think we are playing with two diverse philosophies here. If you want to choose one you can land one place, and if you want to choose the other you can land some place else, but I do not know whether you can prescribe it by statute.
Mr. DILWEG. Mr. Hancock, you know this was proposed by the Small Business Committee, having in mind assistance to small business? That is the philosophy behind it.
Mr. HANCOCK. I think if you want to create a subsidy you ought to measure it. That is what I would work with.
Mr. DILWEG. But I mean where you find a supply of surplus property there is an evident purpose back of that philosophy, and that is to confine it to small business.
Mr. HANCOCK. Gentlemen, if that is what you want to do you cannot do it.
Miss SUMNER. It is just the opposite.
Mr. HANCOCK. Because the small retailer has not handled this kind of goods at all.
I do not see you gain a bit by trying to limit in the distribution. If you have ample for all needs why not let it go to first come first served?
I would be perfectly glad if the prices were satisfactory to see the small man get the same as he did on those Treasury bonds a few years ago. I do not think you are going to gain by trying to limit.
Mr. DILWEG. I presume the question of speculation enters into it?

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Mr. HANCOCK. No; but I am proposing to sell it to industry for sale, or to an individual for use, and I am not going to worry who pays the highest price. When the public can buy at the same price some place else what inducement is there to speculate in that? Nobody is going to buy something on the street for resale if it is freely available to the public.

Miss SUMNER. Nobody is going to buy unless he gets the best price he can possibly get?

Mr. HANCOCK. That is right.

Miss SUMNER. I mean over the long run?

Mr. HANCOCK. That is right.

The danger comes when the Government gets jittery and decides to sell the stuff in a hurry. Nobody wants it. The best bid they get is a low bid. He distributes it around the country and sells it abroad and makes a profit. I do not mean an adequate one, but he makes a profit.

Mr. SMITH. As I understand it, the purpose of these hearings is to formulate a congressional policy for distribution of surplus war goods. You apparently are opposed to that.

You speak about passing legislation later. I can understand and appreciate your position. But we have a great problem involved here, the disposal of $50,000,000,000 worth of surplus war goods by the Government, and it carries with it immeasurably great power. There is no question at all but what that power would be a temptation to this administration to use it politically. It will be a temptation to any administration which follows this one, whether it is Democratic or Republican, and I do not believe that the policy of disposing of these goods should be left to the executive department.

Mr. HANCOCK. I am afraid you misunderstood me. I did not advocate that.

Mr. SMITH. You have already gone far in setting up this program without coming to Congress—I am not blaming anybody; I just want to bring this matter out as a factual matter—and the President did not come to Congress and say, "We would like to dispose of these surplus goods. We would like to have you designate a policy under which we can do that." He did not do that. You are not responsible for that. I think he should have.

Mr. HANCOCK. I am not on either side of the argument.

May I suggest this question has been open to public discussion in the House and Senate for a year and a half. There is nothing new about this discussion. It hs been argued in public hearings. I got in here last November only because of an emergency situation that had to be pushed.

Mr. SMITH. I can understand the emergency situation. That is why I say I sympathize with your position and the President's position, but this power can be used to finish the destruction of our economy.

Mr. HANCOCK. Not under my suggestion, sir; not under my suggestion.

Mr. SMITH. No; I am not saying under your suggestion; but you are not the controlling element. There are forces and circumstances in this which will take their own course even regardless of whether we pass legislation or not.

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But I think we are getting off the subject here. I think we ought to confine ourselves to this simple question of having the Congress lay down the policy right now.

Mr. HANCOCK. I am for your doing it as soon as you know how to do it and as soon as you want to do it.

Mr. SMITH. I am glad to hear you say it.

Mr. HANCOCK. I have said it before.

Mr. SMITH. Because I do not want any administration using this great weapon for political power. And you know as well as I do the atmosphere is charged with a tremendous amount of politics, and I am glad we can have your cooperation in this matter.

I am not going to take the helpless position that some of the members on the committee take that Congress has not sufficient knowledge, understanding, courage, and will-power to handle this situation. I merely make these remarks because I want it clearly stated in the record as to where I stand on that.

Mr. HANCOCK. I have never dreamed we were going to have legislation in this field so delayed we would have a great acquisition before the end of the war and before Congress can act. There is not going to be a great surplus until the war ends. There will be quite a lot before the end of the war, but not a staggering amount, nor will it come too quickly. As time comes to the end of the war that is another question. But I do not see anything today that says the war will end in 2 months if you cannot act in 2 months. That is the position I take.

Mr. SMITH. You will pardon the feeling I have. I say the Executive has ignored the Congress. I do not say this because he is this particular Executive. Those things are inherent in this particular situation, and consequently I want to see Congress stand on its own feet and to handle this situation.

Mr. HANCOCK. I am all for you, sir.

Mr. PATMAN. Dr. Smith, we commenced hearings on this question last September, had Mr. Jesse Jones, Mr. Forrestal from the Navy, we had Admiral Land, and we had a lot of witnesses. And no particular persons are responsible or to blame, but we have just been doing a lot of discussing and doing nothing about it.

Miss SUMNER. I think Congress should do something about it. But if I wrote a bill, I would get as much in it as you can, because that is a detailed problem and an administrative problem.

Mr. PATMAN. No; we should not write administrative things in this bill. We should write the general bill.

The CHAIRMAN. Do you think this should be extended to cover plants and real property?

Mr. HANCOCK. This bill delays that.

The CHAIRMAN. Do you not think the provisions of this bill ought to be enlarged to include plants and real property?

Mr. HANCOCK. Surely. You cannot abolish the problem of plants. The problem of plants is bigger than the surplus.

Mr. PATMAN. We did not think that was so urgent.

The CHAIRMAN. Do you think that is urgent, Mr. Hancock?

Mr. HANCOCK. I do not think it is so urgent. If the war ends you are responsible. I only suggest you get busy; make up your minds as to what you want to do about these difficult industrial problems.

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The CHAIRMAN. What do you think of the Reconstruction Finance Corporation as the disposal agency?

Mr. HANCOCK. What is the reason for them?

The CHAIRMAN. I say what do you think of the Reconstruction Finance Corporation as the disposal agency?

Mr. HANCOCK. I have already told the country in this report. I still believe the report is right. The reasoning for it is set forth fairly fully. I still suffer with objection to creating a new agency of government. We have enough, in my opinion.

Mr. PATMAN. Does not the Executive order set up a new agency?

Mr. HANCOCK. A coordinating agency only.

Mr. PATMAN. This would be coordinating.

Mr. HANCOCK. I am not sure when you get through. Let us get out on the sideline and back to four operative agencies, not wartime and not temporary agencies. The disposal problem lays with the agencies who have handled those things. I think there is more talent there than with any new agency. I suggest if you put it all in R. F. C. you would have to add to the personnel tremendously.

Mr. PATMAN. Could not they use existing agencies like the War Food Administration?

Mr. HANCOCK. I have no doubt you could. I do not think you have provided for it.

Mr. PATMAN. We do not provide against it.

Mr. HANCOCK. I am not a lawyer. You did not contemplate it so far as the bill is concerned.

Mr. WOLCOTT. Mr. Hancock, were any standards or yardsticks set up in the President's Executive order with respect to disposal services? Did he establish any policy?

Mr. HANCOCK. There is a policy of the committee. I am sure they are going to occupy attention or time on that level.

Mr. WOLCOTT. If the President has seen fit to establish a coordinating agency, call it what you please, seen fit in his Executive order to establish certain yardsticks governing the disposition of surplus property what would be the objection to the establishing by statute of a congressional policy in that respect?

Mr. HANCOCK. I have no trace of objection to any statute Congress may want to pass. The only thing is, I suggest, let us not judge until you find out what the present agency does. If you do not like the policy then change it in 60 days.

Mr. WOLCOTT. I am only trying to clear this thing up in my mind. I understand you take the attitude any legislation such as this which would establish policies with respect to the disposal of surplus commodities is rather premature. I cannot get the consistency if that is your attitude.

Mr. HANCOCK. That is my attitude because I do not think we know the answer.

Mr. WOLCOTT. Between the Government setting up an agency now and the Congress cannot do it?

Mr. HANCOCK. No; I think you misunderstood me. The President named a man to operate under that until it is completed. If you want to delegate powers to somebody I am wondering why you do not delegate it to the man now in charge. I do not think you are in a position to define his duties and the Executive order does not define them.

Mr. WOLCOTT. It is a direction which gives him authority?

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Mr. HANCOCK. It is a direction which gives him authority.

Mr. WOLCOTT. To dispose of goods?

Mr. HANCOCK. To coordinate policies on disposal.

Mr. WOLCOTT. That includes plants as well as personal property?

Mr. HANCOCK. It would include only certain plants.

Mr. WOLCOTT. I presume he has already disposed of one piece of real estate down in Texas, I think?

Mr. HANCOCK. I do not know, sir, but anything owned by R. F. C. subsidiaries was sold.

Mr. WOLCOTT. That was my point. The R. F. C. and the corporation set up under the R. F. C. Act operate within certain limitations.

Mr. HANCOCK. That is right. But they are very few, I should add.

Mr. WOLCOTT. I agree there are very few, but nevertheless they do operate within whatever limitations there are within the R. F. C. Act?

Mr. HANCOCK. That is right.

Mr. WOLCOTT. And especially under 5 (b) of the R. F. C. Act?

Mr. HANCOCK. That is right.

Mr. WOLCOTT. Is it your attitude—of course, I am presupposing what you are going to say—that the President, of course, would not in his directive authorize the disposal of surplus properties contrary to any limitation which might be in the act?

Mr. HANCOCK. I cannot assume anything like that as to what is in anybody's mind.

Mr. WOLCOTT. I would assume, of course, that would be your attitude. But do you not think that the Congress having assumed the responsibility of setting up those limitations should now establish policies in respect to the disposal of those goods? It might be advisable that the policy would conflict with existing law. I know I have not made myself very clear. But these limitations might prevent the disposal of this property to the disadvantage of the Government and to the purchaser?

Mr. HANCOCK. There has been no limitation that I know of, sir.

Miss SUMNER. May I ask you a question on that?

Mr. WOLCOTT. Just a minute. We are greatly concerned, of course, with these huge stock piles. As I understand the present set-up when an agency of the Government—War, Navy, Maritime Commission, or anybody else—certifies to Mr. Clayton that there are surpluses, that a certain commodity is surplus, then he proceeds to dispose of it. Now, we have set up in the law the fact that the Reconstruction Finance Corporation may organize subsidiary corporations for the purchase, the carrying and the disposition of excess materials. Now, the point is whether perhaps the President is not approaching a violation of the restrictions which we have put in the R. F. C. Act, especially 5 (b), when he says that Mr. Clayton shall dispose of this property and it shall be disposed of through an establishment of the R. F. C.?

Mr. HANCOCK. No; Mr. Clayton is not an operating agency. Mr. Clayton will make the sale subject to approval of the R. F. C.

Mr. WOLCOTT. No. What I have in mind is we are approaching the saturation point in magnesium and the War Plants Corporation has a magnesium plant that is closed. As I understand the set-up the War Plants Corporation certifies to Mr. Clayton that that is surplus property. We have indicated in the act the War Plants Corporation shall dispose of that property. We have not perhaps prohibited the disposition of that property through any other agency.

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Mr. HANCOCK. The disposition would still be made through the same agency. Mr. Clayton would have a veto power.

Mr. WOLCOTT. Under a policy established by Mr. Clayton?

Mr. HANCOCK. That is right.

Mr. WOLCOTT. We have under the Price Control Act established when certain things are done they must be done through corporations set up under 5 (b). There is a great question in my mind as to whether the President can establish an agency and say those things can be done by agency rather than by law.

Mr. PATMAN. Mr. Wolcott, will you yield there? Mr. Chairman, I think we had an understanding we would go into executive session tomorrow or Thursday on this bill?

The CHAIRMAN. If it is the disposition of the committee to do that.

Mr. PATMAN. I thought the committee passed on it.

The CHAIRMAN. The committee agreed the hearings would close today.

Miss SUMNER. Did you have very many requests for permission to be heard from witnesses?

The CHAIRMAN. No; no one. I do not see any reason why we cannot close the hearings today.

Mr. PATMAN. Can we have an executive meeting tomorrow at 10:30?

The CHAIRMAN. That will be all right.

Mr. HANCOCK. Let me button that last question up, sir.

Mr. Clayton has no new powers to dispose of surplus goods. It rests where it did before. But he is in a position to see we do not keep on unnecessarily piling up goods. He is going to have everybody aware of the other problem.

Mr. WOLCOTT. In your report you have suggested some other solution might be needed?

Mr. HANCOCK. That is right.

Mr. WOLCOTT. If that is what it is leading up to, you won't have any trouble.

If you have not got it with you today, I am going to ask you this question: Take your time in answering it, but I think if it is available you and Mr. Baruch should advise us now, or as early as possible, what legislation you recommend is necessary to effectuate the purposes of not only this bill, but of any other bills which are now pending in Congress in reference to the Baruch-Hancock report?

Mr. HANCOCK. I made to you and others a promise a week ago Wednesday by 2 weeks I would have ready for approval such a bill in speaking for the six agencies of the Government. And I will keep my promise.

Mr. WOLCOTT. This committee would be vitally interested.

Mr. HANCOCK. I think we can all agree, or I think we substantially agree on termination contracts.

Mr. WOLCOTT. I understand the Naval Affairs Committee is going to report out a bill.

Mr. HANCOCK. There are several bills pending. I am not sure which bill you are talking about. But I say there will be a bill on that by next Wednesday. I made a promise and I think it will be done.

Mr. CRAWFORD. Mr. Chairman, may I ask one more question?

The CHAIRMAN. Yes; Mr. Crawford.

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Mr. CRAWFORD. This Patman bill, H. R. 4420, does not say one word about the subject matter which appears on page 64 of this report with respect to lowering the debt. Personally, I think that is one of the most constructive suggestions which I have seen in any report.

Mr. HANCOCK. Our only worry was how to do it. If there is a deficit, as there is in the Government, that says to use the income from the surpluses to lower the debt and use your income to live on.

Miss SUMNER. What is that?

Mr. HANCOCK. The implication of our report is if the Government is thinking of going into debt, it cannot go if our current expenditures exceeds our income.

Mr. CRAWFORD. I do not want to anticipate what is in the bill you are working on, but I hope for a very strong clause to the effect that these proceeds be used for that purpose. I think it would be a very helpful situation if they were used to eliminate the deficit, in other words, where we can eliminate the taxation.

Miss SUMNER. They cannot take that money from the sale of these goods?

Mr. HANCOCK. We cannot use it in an agency of the Government, but the Treasury can use it.

Miss SUMNER. It has to be appropriated for an agency?

Mr. HANCOCK. That is right. And it can be used by the Treasury for current expenses.

Miss SUMNER. Is there any agency you know of that can use it as a revolving fund?

Mr. HANCOCK. No.

Mr. CRAWFORD. Do you interpret the language in the Executive order which reads, "To have general supervision and direction of the handling and disposition of surplus war property" to be sufficiently strong to prohibit the Treasury under Executive order and executive report of disposing of the property until it has actually been approved by the Administrator?

Mr. HANCOCK. It is strong enough if he wants to enforce it. I am not sure he wants to. However, it is forceful enough.

Mr. CRAWFORD. That answers my question.

The CHAIRMAN. If there are no further questions the committee is adjourned, and we will go into executive session at 10:30 tomorrow.

(Thereupon, at 12:25 p. m., the hearing was concluded.)

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APPENDIX I

EXHIBITS PRESENTED FROM HEARINGS HELD BEFORE THE SELECT COMMITTEE ON SMALL BUSINESS OF THE HOUSE OF REPRESENTATIVES

SELECT COMMITTEE ON SMALL BUSINESS OF THE
HOUSE OF REPRESENTATIVES OF THE UNITED STATES,
Washington, D. C., February 16, 1944.

Hon. BRENT SPENCE,
Chairman, Committee on Banking and Currency,
House of Representatives, Washington, D. C.

DEAR MR. SPENCE: Pursuant to the wishes of the Committee on Banking and Currency, I hand you herewith parts 21 and 23 of hearings before the Select Committee on Small Business. Part 21 contains the testimony of the Honorable Jesse H. Jones, Secretary of Commerce, and the Honorable James V. Forrestal, Under Secretary of the Navy, who gave their views on the subject of the orderly disposition of Government-owned surplus property to the Small Business Committee on September 27 and 28, 1943, respectively. Part 23 contains the testimony of the Honorable Robert P. Patterson, Under Secretary of War, and Admiral E. S. Land, Chairman of the United States Maritime Commission, on the same subject. The testimony of these latter witnesses was given on October 21 and 22, 1943, respectively.

I should like to call the attention of the members of the Banking and Currency Committee to certain excerpts from the testimony of these witnesses which seems to me to have a bearing on the committee's study of the bill now before it, H. R. 3873.

Mr. Patterson's testimony, for example, contains the following statement by him:

"It seems to me very clear indeed that the policies [for the disposal of Government-owned surpluses] in any event must be directed and controlled by a central agency. The only phase of the problem on which we [the War Department] have not yet arrived at definitive recommendations or conclusions has to do with the operating procedure under the general policies. That might also be by a central agency, or it is possible that it might be by the procurement agencies now charged with the property, the agency that has the contract with the producer where the property is located. As I say, that is a matter upon which my own mind is not yet clear, as I said a moment ago, it must be under the direction of a common agency so that War, Navy, Defense Plant Corporation, Maritime Commission, and the Procurement Division, Treasury Department, follow the same general policies and procedures."

Admiral Land, in his testimony, had the following statement to make:

"The facilities which are to be disposed of should be so handled that their disposition is consistent with proper policies related to the internal economics of the country, and hence preferably by some one agency charged with the responsibility of carrying out such policy.

"If this be done, then the policy to be followed out by such an agency in disposing of the property should be governed in part by the obviously important consideration of obtaining for the Government as much recovery therefrom as can consistently be effected; in part also by the handling of property disposals in such manner as will not destroy the market of the domestic producers of such articles—particularly, the smaller producers who are most apt to be seriously affected by the throwing upon the market of large quantities of surplus Government materials; in part, by consideration of whether practicable use may not be made of such surplus materials by individuals or corporations who might otherwise find it difficult to rehabilitate their business after the dislocations which have been caused by the war; and finally (and perhaps most important) by such provisions as will involve the least possible delay in enabling industry to resume peacetime activities and employment."

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It is my feeling that Mr. Patterson and Admiral Land, in the foregoing quoted statements, have expressed sentiments which constitute a recommendation of congressional action in accordance with the principles and procedures expressed in H. R. 3873.

Sincerely yours,

WRIGHT PATMAN, *Chairman.*

(The parts 21 and 23 of the hearings before the Select Committee on Small Business, mentioned in the above letter, are as follows:)

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SMALL BUSINESS IN THE UNITED STATES

MONDAY, SEPTEMBER 27, 1943

HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE TO CONDUCT A STUDY
AND INVESTIGATION OF THE NATIONAL
DEFENSE PROGRAM IN ITS RELATION TO SMALL
BUSINESS IN THE UNITED STATES,
Washington, D. C.

The select committee met, pursuant to notice, at 10 a. m., in room 1301, New House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman (chairman), Robinson, Halleck, Hall, Ploeser and Kefauver.

The CHAIRMAN. The committee will please come to order.

We have met this morning for the purpose of hearing testimony of witnesses on the question of surplus materials and supplies that the United States Government will probably have on hand at the end of this war.

At this time, we are to hear Jesse Jones, Secretary of Commerce.

Mr. JONES. Good morning, gentlemen.

The CHAIRMAN. We are glad to have you. We are making some investigation of what should be done with the surplus products and materials that will be owned by the Government when this war is over, Mr. Jones. Since you were asked by the committee to appear and you have known for several days that you would appear, do you have a prepared statement or would you like to talk extemporaneously?

Mr. JONES. I have no prepared statement. I have a few facts, though, if you will ask the questions.

STATEMENT OF HON. JESSE H. JONES, SECRETARY OF COMMERCE

The CHAIRMAN. What is the dollar cost price of Government-owned plants, tools, equipment, and materials owned by the following agencies which are under your jurisdiction? First, the Reconstruction Finance Corporation.

Mr. JONES. Some of those facts I have got. Will you ask the question again?

The CHAIRMAN. What is the dollar cost price of Government-owned plants, tools, equipment, and materials owned by the following agencies which are under your jurisdiction? First, the Reconstruction Finance Corporation.

Mr. JONES. The dollar value?

The CHAIRMAN. The dollar cost price of Government-owned plants, tools, equipment, and materials.

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Mr. JONES. All of these war activities in the R. F. C. are through the subsidiary corporations organized for that specific purpose, for war plants. The war plants are owned by Defense Plant Corporation, a wholly owned R. F. C. corporation and managed by R. F. C. directors and personnel. That corporation has built and equipped or partially equipped 1,753 plants and other facilities. In many cases we add to a plant. In many others, we put equipment in plants, and in many others we actually build and equip the plant; so, of the total, there are 1,753.

The CHAIRMAN. Would you name some of the type of plants, Mr. Jones?

Mr. JONES. I will do that a little later.

The CHAIRMAN. Very well, go right ahead.

Mr. JONES. Defense Supplies Corporation was organized to buy and contract to buy materials and equipment of every imaginable kind necessary to the war. It has outstanding at the present time some $364,000,000 invested in approximately 75 different types of supplies or miscellaneous articles. Did I give the investment in the plants? I will go back. We have an investment of $7,029,000,000 in those plants.

The CHAIRMAN. That is the Defense Plant Corporation?

Mr. JONES. Yes.

The CHAIRMAN. $7,029,000,000.

Mr. JONES. That is right. These plants, of course, are built at the request of War, Navy, Maritime, War Production Board and its predecessors.

Some of the plants we built, particularly for the War Department, would be rented at maybe a dollar a year, and the compensation for that plant will be deducted by the War Department or taken by the War Department in letting the contracts.

On a great many of the plants, and, in fact, I should say most of them, we get a rental of some sort. Maybe it might be so much an article manufactured, if it was an engine or some such item. It may be a certain percentage on the investment annually. Each one of these transactions and plants constitute a separate and individual transaction worked out between the R. F. C. agency and the industry that is building and/or operating the plant so that there may be no two alike. There probably are many alike, but, in dealing with industry, we have found it necessary to make a trade with a man, to deal with him, on the basis that he was willing to deal.

The CHAIRMAN. Does that mean that if the war were to come to an end now, that this property would all be owned by the Government or would some of it be owned by the industry or would the industry own an equity in it?

Mr. JONES. Most of these plants—in fact, all of these plants would be owned by the Government. Many of them have options of some nature running to the man who built or who operates the plant. Those options, by and large, provide that the contractor, by which I mean the industry that is building and operating the plant, may buy that plant if the Government decides to sell it. Many others provide that they could buy it if they want to buy it, and the terms usually are that they can buy the plant at cost less normal depreciation.

The CHAIRMAN. Does that mean, if the Government were to decide that it wanted to handle all these plants through some stock pile

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pool arrangement, that the Government would first be obligated to permit this person who has this contract to buy if he wants to buy?

Mr. JONES. Some of them, as I say, are definite, where the contractor has the option to buy the plant.

The CHAIRMAN. Has the Attorney General's Department questioned that, Mr. Jones?

Mr. JONES. Not to my knowledge.

The CHAIRMAN. Not to your knowledge?

Mr. JONES. No.

The CHAIRMAN. We would like to know to what extent that is true, especially with reference to the real large concerns that might have an advantage over the smaller concerns if they exercise those options?

Mr. JONES. I will finish by discussion on that while it is in my mind.

The CHAIRMAN. Yes.

Mr. JONES. I repeat, some of the options provide that the man can buy the plant at cost less normal depreciation, or at cost plus interest less the amount of money that we have gotten out of it in rentals, whichever will yield the Government the most money. In other words, the options that have been given are not against the interest of the Government. We have tried to protect that, and yet many people, of course, insisted upon options, and since we had to have the service of the operator, why, we made the best deal we could, and I doubt seriously if the options that we have given will be of any great value to the operators because the plants have all been built at extraordinarily high costs.

Then, you take the normal depreciation over, we will say, a period of 5 years: the balance would probably still be more than the plant would be worth. In many instances, where we have put equipment in plants and where we have even built facilities or built parts of plants, what we called scrambled properties, those I think all carry options, definite options, but again I say that the option is not one we need worry about as giving anything away that belongs to the Government.

If, for instance, we have put equipment in a plant, the operator has the option to buy the equipment. If he does not want to buy it, we have the right to take it away. Of course, that would not be of much value, because when you go into a plant and take out a piece of machinery, or the building, or this, that, or the other, the cost of doing all that will probably absorb the recovery value of the things you get out, but at least we have that right; and, therefore, a man cannot say: "Well, I will give you a dollar for it," or ten dollars, or whatever it may be. We can always take it out and protect ourselves if we know it has value.

The CHAIRMAN. You are not putting any property on the market now, any materials or supplies for sale, are you?

Mr. JONES. Nothing at all except we sell supplies every day to the armed forces—I mean for the war.

The CHAIRMAN. I mean, like any surpluses that you might have. You are not offering that at public sale at sacrifice prices, are you?

Mr. JONES. Nothing whatsoever.

The CHAIRMAN. You have mentioned the Defense Plant Corporation with a figure of $7,029,000,000, and the Defense Supplies Corporation at $364,000,000. Will you enumerate the amounts in the other concerns under your jurisdiction?

Mr. JONES. Yes. You mean not specifically the type of plant?

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The CHAIRMAN. Yes; we would like to know generally the type of plants these are.

Mr. JONES. May I come back to that later, and we can correlate it in the testimony?

The CHAIRMAN. Yes; anyway you desire.

Mr. JONES. As I said a moment ago, we invested $364,000,000 or, that is, we have that much remaining in the Defense Supplies Corporation, and that constitutes some 75 different types of material.

For the Metals Reserve Company, we have a balance invested at this time of $434,000,000, and that consists of approximately 75 different types of metals which we have produced in this country or bought in this country or bought all over the world.

In the Rubber Reserve Company and the Rubber Development Corporation, we have an outstanding balance at this time of $120,000,000. That merely is our investment in raw rubber in this country, and the money that we have expended for developing rubber in Latin America.

The CHAIRMAN. I do not want to ask you to divulge anything that might be a military secret, but is it a matter of public record as to the amount of raw rubber you have on hand now?

Mr. JONES. The amount that we have on hand?

The CHAIRMAN. Yes. I will not ask you, unless it is a matter of public record.

Mr. JONES. The amount of rubber that we have: I think on about July 1, which was the last time I got that figure, we had at that time approximately double the amount of raw rubber in this country that was in this country January 1940.

The CHAIRMAN. Double the amount?

Mr. JONES. Approximately double. That will give you some estimate of how fortunate we were in building a stock pile of rubber.

The CHAIRMAN. I think it was a fine thing you did, in building up that stock pile of rubber for about 18 months or 2 years preceding Pearl Harbor.

Mr. JONES. We started July 1940.

The CHAIRMAN. July 1940, which is about 18 months, or to be exact 17 months, before Pearl Harbor.

Mr. JONES. Yes; and while we did not get as much as we tried to get, we bought all we could get.

The CHAIRMAN. You bought all that it was possible to get?

Mr. JONES. Yes, and we were fortunate to get so much; because, as I say, we still have a substantial supply of natural rubber, and I do not think we will suffer for the want of rubber in the war effort.

The CHAIRMAN. Do you think that the synthetic rubber will come into production in plenty of time?

Mr. JONES. The synthetic program, insofar as facilities are concerned, is about complete. I think we are manufacturing now at the rate of about 30,000 tons a month. That will rapidly go up and will ultimately reach a minimum of 800,000 tons a year with a substantial provision for the factor of safety. I think those plants will probably manufacture nearer a million tons than 800,000 tons.

The CHAIRMAN. That is twice as much as we would normally use?

Mr. JONES. A million would be twice as much as we have ever used, but you see the rubber situation completely changed with the fall of Singapore and the loss of the Dutch East Indies.

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The CHAIRMAN. Don't you think that we were wise in dealing with the Japs as we did, for the 18 months preceding Pearl Harbor, when you were building up this stock pile of rubber?

Mr. JONES. No doubt about it.

The CHAIRMAN. If we did not have any more rubber than we did 18 months preceding Pearl Harbor, we would almost have had to stop everything and build the synthetic plants before we could properly prosecute the war, would we not?

Mr. JONES. We would not have been in a position to fight the war—but proceeding a little with the statement I started to make: We have been furnishing rubber to the Allied Nations, other countries, even to the rubber-producing countries. We have had to furnish them rubber aside from our demand; and, so, we are fortunate to have had such a good stock pile, and we are fortunate in getting the synthetic program in operation in time to carry on and have no further real concern about rubber. That does not mean that every plant we have is a perfect plant or will work perfectly, that we won't have trouble here, there, and other places, but we have factors of safety enough so that we will have rubber.

The CHAIRMAN. It occurs to me, if you are making 30,000 tons a month now, that is about 360,000 tons a year.

Mr. JONES. Yes.

The CHAIRMAN. And that there should not be any serious rubber shortage soon?

Mr. JONES. I think we will get plenty of tires in a few months.

The CHAIRMAN. For the essential uses?

Mr. JONES. Well, we will have those for essential uses at all times, and we have had them. I do not think there has been any serious trouble from lack of rubber, on tires; of course, we have not been able to joy-ride and pleasure-ride as much as we would like, but I do not think anybody has suffered from the lack of rubber tires.

Mr. PLOESER. I would like to ask a question, if I may?

The CHAIRMAN. Yes.

Mr. PLOESER. Are we getting any rubber now from Russia?

Mr. JONES. No.

Mr. PLOESER. Have we been?

Mr. JONES. We never have. We are still getting a little rubber—no; I think that is all going the other way now, but we got some for a while from Ceylon. We are getting some rubber from Central America. We will never get as much rubber from Latin America as we would like to have, regardless of how much money we may spend in getting it. In trying to get it, it would take many, many years to develop the possibilities of rubber there because the people are just not interested to work and to do the thing, and it is not easy to get into those places.

A little more about the plants, I thought you might be interested to have this figure.

The CHAIRMAN. Yes, sir.

Mr. JONES. I thought you would be interested to have the figures on these plant investments: About 1 percent has been spent for land; about 34 percent for permanent buildings and that part of the plant that is built in the buildings that is not movable; about 65 percent is in movable equipment and machine tools.

That is about the story on plants.

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The break-down on plants is about as follows:

For the production and manufacture of aluminum, $780,000,000 invested.

For the production of high-octane gasoline, aviation gasoline, $152,000,000.

For the manufacture of chemicals of all sorts, $89,000,000.

For the manufacture of magnesium and magnesium products, $436,000,000.

For the mining and manufacture of minerals, $156,000,000.

We have opened, I think, more than 2,000 small mines in this country, all the way from Maine to the Pacific, and it is astounding the number of things we have found and have been able to get some production in. Of course, it has been expensive, but we have been able to do it; and in that respect, I think I can say that, with the possible exception of copper, we are not short in any metal.

The CHAIRMAN: Any heretofore critical materials?

Mr. JONES: Any metal necessary to the fighting of the war—any metal or other material.

The CHAIRMAN: Yes. On copper, I know, here on the Committee on Banking and Currency, it was testified that we could increase our copper production by 10 percent if we increased the price of copper, and it was decided that instead of increasing the price of all copper and giving the operators who are now making good profits more profits, we would give what is known as subsidies on the increased production only. Has that program been operating very well?

Mr. JONES: It has operated very, very well. We started out, I think in January 1942, to pay a premium of 5 cents a pound on copper; I think 2¾ cents on lead and zinc. In some places we pay 5 cents a pound premium and in others we pay 10 cents a pound premium over the 12 cents, and in some instances, where mines could not even be operateed at that, they are being operated for our account. We pay the operating expense, and we pay the mine owner a certain fixed sum for his ore and a fixed compensation for his management. So, we think we are getting all the copper that can be gotten. Certainly, we have the facilities—the machine is working. It may go up a little bit now and then, but the job is pretty well covered, and 12 cents a pound is giving the big producers and the settled producers, where they have got good ore and good equipment, all the profit they need and all they ask for.

The CHAIRMAN: What is the outlook on copper production? Do you think it will remain a critical material very long, or will we overcome that?

Mr. JONES. I think copper will remain a critical material until the war is over. We have got a substantial amount of copper on hand now. We have always had a stockpile. You see, we started buying copper in a big way in 1940, the fall of 1940. We made our first 100,000,000-pound purchase then. I think it was 100,000,000 pounds—it was some large amount. Early in 1941, we started taking all of the copper that they produced, so we have been getting a great deal of copper.

These net figures that I mentioned on the amounts we now have invested is after our sales. We probably have sold as much as $800,000,000 of these metals and materials. All of those are allocated by the War Production Board. We could not sell anything except

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when they say, "Sell Mr. So-and-So so many pounds of this, that, and the other," and that is the way it is operated.

The CHAIRMAN. Go ahead with your statement, Mr. Jones, if you would like to.

Mr. HALL. May I ask a question?

The CHAIRMAN. Go ahead.

Mr. HALL. Mr. Jones, I was interested in your statement that there was no shortage of strategic materials. I am interested because a few days ago I either read or heard over the radio that there was a shortage of tin, and we could expect in the near future that perhaps there would not be any canned goods for civilian use. I was wondering whether you would want to comment on that.

Mr. JONES. We have a very substantial supply of tin. I expect we have a hundred thousand tons. We are making tin every day. We are getting tin ores from Bolivia. We have this tin smelter at Texas City, which is one of the best in the world, and it has a capacity of smelting of approximately 75,000 tons of tin a year. We are not running at that capacity because we haven't got ore enough, but we started buying ore at the time we started to build the mill, so we had a very substantial amount of ore and still have. We got some high-grade ore from the Dutch East Indies before they were lost. So that, we have a good supply. While we haven't enough tin so that you can have all the tin cans you want, I do not think the war will suffer for the want of tin unless it goes on a very long time.

Mr. HALL. Then, your statement means this, that there will not be any shortage so far as war needs are concerned?

Mr. JONES. Yes.

Mr. HALL. There may be a further curtailment as far as civilian stocks are concerned?

Mr. JONES. Yes; a further curtailment.

The CHAIRMAN. Go right ahead with your statement, please, Mr. Jones.

Mr. JONES. For the manufacture of airplanes and airplane parts, engines, et cetera, we have a plant investment of $2,798,000,000.

In the manufacture of machine tools alone, $82,000,000. This is one of the items that was the hardest to get started in our making war supplies.

Manufacture of guns, ammunition and ordnance products, $309,000,000; radio and scientific equipment, $70,000,000; shipyards, $150,000,000; steel and pig iron, $893,000,000; synthetic rubber, $633,000,000.

That constitutes our investment in plants and the character of the plants.

The CHAIRMAN. Have you given consideration, Mr. Jones, to the question of what should be done with this surplus property and materials when the war is over?

Mr. JONES. I have given a lot of thought to it.

The CHAIRMAN. Have you arrived at any conclusion that you would like to express?

Mr. JONES. As to what should become of these plants?

The CHAIRMAN. Yes, sir.

Mr. JONES. Generally speaking, I have. I do not think that the plants should be sacrificed or junked. Certain of them will necessarily have to be taken down, but, by and large, plants that can be used in the manufacture of something necessary to our economy,

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our peacetime requirements, those plants should all be saved; and purely ordnance plants, like powder and shells and various and sundry things, and a lot of chemicals, will be things that I won't know much about, but most of the plants that we built, outside of that particular class, can be and should be, in my opinion, converted into the manufacture of useful things, and by private enterprise.

I do not think that the Government should undertake to manufacture items necessary generally to our civil requirements, and, of course, in disposing of these plants, industry will not be able to buy them, if you want to sell them to them, unless you give them good terms. They can be sold, or they can be leased, many of them; so, generally, speaking that is about my thoughts with respect to them.

The CHAIRMAN. Have you given consideration to making each section of the country as nearly self-sufficient as possible? That is, in regard to the production of the necessary metals and materials that they need?

Mr. JONES. That is a pretty broad question, and I do not know that I have given it enough study to be very helpful.

The CHAIRMAN. For instance, here is what I have in mind particularly, Mr. Jones. The steel industry is concentrated in a small area in the northeast.

Mr. HALLECK. How about the Middle West?

The CHAIRMAN. Yes; it extends out into the West.

We have been very vulnerable, because most of the ore had to come through the Soo Canal and be transported over long distances by railroads and boats. There are about 32 different States that have valuable iron ore, I believe. Would it not be a good time for us to begin to think about letting each section of the Nation make itself self-sufficient in regard to steel and other basic metals as far as is possible?

Mr. JONES. Naturally, that would appear to be desirable. On the question of steel, a great deal of the steel facilities are, we will say, beginning at Cleveland going west, particularly around the Chicago area. We built a very big plant in Utah. It cost about $190,000,000.

The CHAIRMAN. That is the Provo plant?

Mr. JONES. Yes. We built this plant in southern California which, while Mr. Kaiser owns the plant, has an equity in it, and the title—we furnished all the money, so I regard that as a defense plant, Government plant, although if he will pay for it it will be his plant.

The CHAIRMAN. But, Mr. Jones, during this war, if you will notice, there are about a billion dollars that have been used up here in the steel area, and about $300,000,000 on the Pacific coast which is about the extent of our total in the steel industry—is it not?

Mr. JONES. No; our total in steel is a little under $900,000,000.

The CHAIRMAN. $800,000,000 or $900,000,000; yes.

Mr. JONES. There are some small facilities in Texas; they are not large, but I have forgotten what the figures are.

The CHAIRMAN. Yes; the Sheffield plant at Houston.

Mr. JONES. That is a private plant. They had contemplated building that plant for a number of years and using almost entirely scrap steel but had delayed it because our scrap was going to other countries.

The CHAIRMAN. Going to Japan principally; wasn't it?

Mr. JONES. Yes.

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The CHAIRMAN. Isn't it a fact, Mr. Jones, on this scrap—to show another discrimination against small business—that this scrap would be shipped from Houston, Tex., to the interior of either Japan or Germany and delivered there for a dollar a ton less than it would cost to deliver it to Pittsburgh in our own country?

Mr. JONES. I do not have that figure.

The CHAIRMAN. You do not have the information with you?

Mr. JONES. I do not have the information.

The East Texas plant—Daingerfield, isn't it?

The CHAIRMAN. Yes. The ironical thing about that is that the people who filed the application for the Daingerfield plant set forth in their application they would use coal from Oklahoma to make the coke and would use the ore located there in east Texas. They had enough within 6 miles of their plant to last over a hundred years, making 1,200 tons, 1,500 tons of pig iron a day. When they filed their application and set this up, the Sheffield plant in Houston had expected to get its ore from Mexico and get its coal from over in Alabama. The Sheffield people investigated this coal. They discovered it is a fine coal, so they are now using coal from Oklahoma and are getting their ore, 80 percent of it, from the East Texas field. At the same time, the people who made that possible cannot even get their steel plant approved.

Mr. JONES. Daingerfield plant is a pig-iron plant?

The CHAIRMAN. It is, so far; but it won't be a profitable venture without the steel plant added to it.

Mr. PLOESER. I might interrupt because there is a certain amount of facetiousness. If it would be a fair question to ask why Texas should be given a new pig-iron plant, or permission, when they have dismantled them in St. Louis and given them to Mexico?

Mr. HALL. I do not think we should mind our chairman putting in a plug for Texas.

The CHAIRMAN. I do not know anything about that situation, I will state to the gentleman from Missouri, Mr. Ploeser.

Mr. JONES. Maybe the answer is that St. Louis did not have enough ore.

Mr. PLOESER. Or did not have their hands on the ore.

The CHAIRMAN. And they have to have the coal to make the coke. Possibly they did not have the coal near, or the limestone. I do not know what the situation was.

Have you made the statement that you would like to make about the surplus materials and plants and supplies, Mr. Jones? Have you covered that as fully as you like?

Mr. JONES. I think so.

Mr. HALLECK. I would like to inquire about something I think is tremendously important in any consideration of the disposal of these plants. Now, the chairman, of course, is, and rightly so, solicitous about the development in the South and Southwest, particularly in Texas, and I am sure none of us would quarrel with him about that, but here is a thing that disturbs me, Mr. Jones. You have expanded the capacities of many of these fields in industry. It so happens that in my district, at Lafayette, Ind., there is a fabricating plant of the Aluminum Co. It was built there before the war. The community is geared to the presence of that plant, and, of course, it is hoped, as I am hopeful, that that plant will continue to operate after the war. Now, maybe you duplicate that plant in some other section of the

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country. If the peacetime production will not absorb the capacity of the two plants, which one are we going to operate?

Mr. JONES. That will be for Congress to decide. I have stated on many occasions that this whole problem is one that Congress must settle and must determine. Only Congress can do it.

In the field of aluminum the Government will own slightly more than one-half of the facilities for the production of pig aluminum. I do not think that the Government will have one-half of the fabrication plants, but we are building a number of them. We will have probably a surplus of fabricating plants, and so there, the question of how you are going to determine which of the plants or what percentage of the plants will be operated or what disposition will be made of the aluminum plants, that is going to be a hard problem to solve.

As is well known, we have had more or less a monopoly in aluminum. We will not have a monopoly in aluminum after the war. The Government will be in a position to do about as it pleases with that situation. In increasing our capacity of the production of aluminum, we have had to go where the power was available. We went first to where cheap power was available, and then we got the plants where the power cost may be 6 or 7 mills as against 2½ or 3 mills, where it is cheap by the dams; so that, naturally, the plants that are operated with high-price power would, we assume, be those to be shut down and not operated.

I do not know whether it will be determined to sell some of these plants or sell them all. I do not know. We could not sell them all because there will be no demand for them. You could not sell to industry, we would say, half of these unless industry knew what was going to become of the other half, because they could not afford to do it. They could easily go broke.

I think, getting back to your specific question, it would depend largely—well, I do not know about the power, I am not so familiar with the power in the fabrication of aluminum.

Mr. HALLECK. I do not think it is so much of an item in fabrication as it is in the production of aluminum, because the production of aluminum is largely a matter in the first instance of electric power.

Mr. JONES. You put your finger on one of the hardest nuts to crack, this problem.

Mr. HALLECK. It has a tremendous implication, not only as it might involve a tremendous assault on our free-enterprise system, but as it might bring about continuing dislocations of our economy to the very obvious detriment of certain localities in an apparent effort to favor other localities, and my view of it, for what it is worth, is that so far as possible the status quo might well be maintained. I do not think the fact that we have been in the war ought to be used either to change from an operation of free enterprise to Government enterprise or to make ghost towns out of places that otherwise would be prosperous.

Mr. JONES. I should think that the new plant would have difficulty supplanting the existing plant unless it is a later and better equipped plant.

The CHAIRMAN. Mr. Jones, I suggest the way to handle this surplus property in a bill that I introduced, No. 3200—H. R. 3200. Have you seen a copy of that bill?

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Mr. JONES. Yes, I have. I have not studied it enough to discuss it much.

The CHAIRMAN. Briefly, it will permit the President to appoint someone who will have charge of all this surplus property and material and to have it distributed in some way that will not disrupt our distribution system and destroy the small businesses of the country; yet, at the same time, give the small business people and these returning service men an opportunity to buy any part of this stock pile of supplies and materials and machines that they could use which would allow wide distribution over the Nation. Have you given consideration to that?

Mr. JONES. I read it in the bill, but I would not know how to answer it. I would not know how to solve that problem.

Now, when it comes to what are you going to do with your surplus materials, about selling it to a returning soldier or somebody else, I suppose, naturally, that Congress will make proper and appropriate provisions for the boys in the services, or certainly you should. Whether it would be feasible to do it the way you mention, I think you want to give a lot of consideration to that. I am talking particularly about the administration of the thing. If you were made the administrator of this, the custodian of the property, you still have the human equation and the individual equation, and the fellow coming in and pleading his case and cause and making his case, so I think that it would be a pretty difficult thing to spell out in law so that it would operate as satisfactorily as your ideal would be.

The CHAIRMAN. The automobile dealers' representative testified this morning that the War Production Board is already permitting the sale of a lot of machine tools and valuable equipment, some of it new, at junk prices, that is needed elsewhere in the country. Do you know anything about that?

Mr. JONES. I do not. I would not think they ought to do it.

The CHAIRMAN. This item was from a newspaper, and the headline said that they sold $1,400,000 worth of equipment like that, just at public auction, and it was bought by different people at junk prices, most of it at 40 cents a pound; and that it would cost the Government $2,000,000 to buy that same equipment now. It occurs to me that the governmental agencies should go rather slow about flooding the market with that surplus stuff right now.

Mr. JONES. I do not know, so I really should not talk, but the specific case or cases ought to be gotten out and looked over to see what they are.

The CHAIRMAN. Yes; we will do that in this particular case.

Mr. JONES. Yes.

There are cases in building plants where a contractor will get a plant completed, maybe it will cost a million dollars, maybe it cost a hundred million dollars, and there will be a lot of surplus scrap material around of various kinds, and they will sell that to somebody at less than its value. There may be some things done in that respect that are not in the interest of the Government and should not be done, but the war is a good big operation, and you cannot probably be there to protect every piece of material.

The CHAIRMAN. Any other questions?

Mr. KEFAUVER. Mr. Jones, in disposing of these war plants, machine tools, and equipment, I know we are all very hopeful that local people living in the section where the plants are operated, where the

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machine tools are located, will have every encouragement and opportunity possible to buy the plants themselves and operate them. I think it would be very unfortunate if these plants all got into the hands of the big fellows which might further increase monopolistic tendencies. I wonder if you have any expression that you would like to make as to the means through which local people can be given an opportunity to buy these plants?

Mr. JONES. I think in every situation that the local people should have the first call on the property or on the plant, and where they could show sufficient capacity to operate it and probably furnish some equity money to justify it, that they should have, certainly, first call on it. I do not think we ought to permit the war, in causing all these plants to be built, to further concentrate our economy in the big units. I think the country is better off with the smaller units, and I am heartily in favor of the point that you made.

Mr. KEFAUVER. I am mighty glad to hear you say that, Mr. Jones. I wonder, too, since the plants have been constructed, or at least construction has been authorized, by the R. F. C. or by some of these subsidiaries of the R. F. C., if the R. F. C. is not in the best position, subject to whatever authority Congress may give it, to handle the disposition of these plants?

Mr. JONES. In my opinion, the R. F. C. certainly would be much better equipped to handle the plants and particularly those that it has built than some new agency that might be put in charge, because we have an organization of men trained in business. They know these plants. They have made these trades. Each one has been an individual trade. They know the people they have dealt with and they know the purpose of the plant, and I should think it would be a wise policy to at least have the R. F. C. in the doing in some way.

Mr. KEFAUVER. Would the present legislative authorization of the R. F. C. be broad enough to enable it to do this? For instance, there is a plant down at Chattanooga, Tenn. If local people wanted to form an organization and put up some money to purchase it, would the R. F. C., as presently constituted, be in a position where it could loan them certain money to help them purchase that plant?

Mr. JONES. Yes, we have all the authority we need to sell it and to finance it, and I have attended a number of meetings with manufacturers' associations or different organizations in the interest of business and industry. I have had this question asked me about what we are going to do with the plants, and I have said if you want to buy one, come over and see how good a trade you can make. We will be glad to see you.

My idea is, and I have said this before, that these plants ought to go to private industry and they ought to go on terms and conditions that the buyer can live. I have also made the statement that there should not be any bargains, and there will be plenty of bargain hunters, too. There is no doubt about that.

The CHAIRMAN. Can a substantial part of these plants be used by small concerns over the country?

Mr. JONES. In number, yes, but we will have a plant—for instance, the Willow Run plant. We built that. That belongs to the R. F. C. The big Chrysler plant in Chicago, the tank plant—that is ours. We have a lot of these plants where little business could not handle them, but, of course, in numbers, little business can do a lot of it,

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and, of course, when you talk about little business it depends on what is the definition of little business.

The CHAIRMAN. That depends upon the particular industry, doesn't it, Mr. Jones? Take, for instance, oil. We do not have any trouble deciding ourselves which are the large ones and which are the small ones. The same way with aluminum.

Mr. JONES. That is correct. In aluminum we have only had one. Now, we will have more.

The CHAIRMAN. The same way in the distribution. We know the large concerns.

Mr. JONES. Take steel, for instance. I think probably there are more than a hundred manufacturers of steel in the country.

The CHAIRMAN. But you could name the large ones right off.

Mr. JONES. Yes. When we start to think about it, we think about U. S. Steel, Bethlehem, Republic, and then you get down and you can't name the others, and there are probably 150 of them, big institutions with 15, 25, 30, 40, 100 million dollars invested in their business.

Mr. HALL. You would not call them small business?

Mr. JONES. I say, what is the definition? It is not the kind of small business you are talking about, you see, but it may take $10,000,000 to run a small steel mill. For instance, the little mill at Daingerfield: Now, that is a pig iron plant, and that cost $20,000,000. If they make a steel mill there, that will be another $20,000,000. I do not know whether you call it big business or small business.

The CHAIRMAN. It would be very small compared to the other businesses. It is a relative term.

Mr. JONES. It is a relative term. So, when you talk about small business, you have got to know what you are talking about. I mean, it will relate to that particular industry.

Mr. KEFAUVER. I was going to ask Mr. Jones, looking toward the future of trying to keep these industries as much as possible in the ownership of local people and to avoid upsetting the population's economy, what steps you think Congress should take at this time, Mr. Jones?

Mr. JONES. What?

Mr. KEFAUVER. Do you have any suggestions as to the legislation that you would feel free to make at this time?

Mr. JONES. I think that we should all be giving a lot of consideration to post-war, but I do not think we ought to divert our thinking from the war because I do not believe that it is anything like near over; and another thing, in approaching this problem, it is going to take a lot of thought, a lot of consideration, and it will be something you can well talk about for months and months and months, and think about; because you are going to have to hear from a lot of people, from a lot of different sections of the country, and, so, it is a big problem. It is one thing I think should be thought about but not to the detriment of the other job.

Mr. KEFAUVER. Mr. Jones, even now the C. C. C. and the N. Y. A. are being liquidated, and they have a good many machine tools. I do not know how it is being handled by the Procurement Department of the Treasury, but it seems to me that that is an immediate problem for Congress. Of course, it does not come under your jurisdiction.

Mr. JONES. Machine tools?

Mr. KEFAUVER. Yes, of these agencies now being liquidated.

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Mr. JONES. We own a great many machine tools, and they should be sold, I assume, if they can be sold properly. We sell them every day, but we sell them on allocation of the War Production Board.

Mr. KEFAUVER. I was not talking about any of your agencies. I particularly had reference to the N. Y. A. and the C. C. C.

Mr. JONES. What is N. Y. A.?

Mr. KEFAUVER. National Youth Administration; and they have a lot of machine tools that are being sold, when the agency was abolished.

Mr. JONES. I do not know about it.

The CHAIRMAN. Any other questions, gentlemen?

Mr. PLOESER. Mr. Chairman, I think probably Mr. Jones has some material with him, and other material might be furnished. For the committee's information, I would like to see the committee furnished, by your department, Mr. Jones, a definition of the various types of contracts you have and the types of options contained therein, and then, if possible, the dollar values in each of those classifications. Am I clear?

Mr. JONES. Yes.

Mr. PLOESER. Then, I would like to see also—and you did read off a few of them—a break-down of the dollar value by classification of the various plants that you have, such as machine shops and foundries and chemical plants; and divided into their various subdivisions, number of plants, dollar value. May we have that information?

Mr. JONES. Yes.

The CHAIRMAN. Will you let me supplement that?

Mr. PLOESER. Certainly.

The CHAIRMAN. Tools, raw materials, fabricated materials, miscellaneous equipment. I will list those for you.

Mr. JONES. You list them for me and leave it to us to help, because I think I know what you want, and we will try to give it to you.

The CHAIRMAN. All right. Any other questions?

If not, thank you very kindly, Mr. Jones.

Mr. JONES. Just one more minute with respect to little business——

The CHAIRMAN. We will be glad to hear from you on that subject.

Mr. JONES. We started, a couple of years ago, making loans to help little business in the war effort, as you know.

The CHAIRMAN. Yes.

Mr. JONES. I think we made some seven or eight thousand loans that averaged less than $30,000, or about $30,000.

The CHAIRMAN. Seven or eight thousand?

Mr. JONES. Yes. Now, that is to help the little subcontractor, you see, in the field, and he got that loan by going to our office in his territory. He gets it when he asks for it, provided he is apparently qualified to do the job, and, of course, if he has been given the job by a responsible agency or conractor, we assume that they think he can do the job or they would not have given it to him, so we have made seven or eight thousand loans of that kind.

Mr. PLOESER. Has he been a good credit risk?

The CHAIRMAN. The small man.

Mr. JONES. On the average, yes. In fact, no bank ever got hurt making small loans.

Mr. PLOESER. I am glad to hear you say that.

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Mr. JONES. You cannot make enough of them to hurt you.

The CHAIRMAN. Being interested in small business, we appreciate the fine work you have done.

Mr. JONES. It is the fellow who comes along and sweeps you off with one sweep that hurts you.

The CHAIRMAN. Thank you, very kindly.

The committee will stand adjourned until 11 o'clock tomorrow morning in the Committee on Banking and Currency committee room.

(Whereupon, at 12:10 p. m., an adjournment was taken until 11 a. m., September 28, 1943).

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SMALL BUSINESS OF THE UNITED STATES

TUESDAY, SEPTEMBER 28, 1943

HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE TO CONDUCT A STUDY AND
INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM
IN ITS RELATION TO SMALL BUSINESS IN THE UNITED STATES,
Washington, D. C.

The select committee met, pursuant to adjournment, at 11 a. m., in room 1301, New House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman (chairman), Hall, Halleck, Kefauver, Robinson, and Ploeser.

The CHAIRMAN. Mr. Forrestal, we appreciate your attendance here this morning. Will you please identify yourself for the record, and you may proceed as you desire.

STATEMENT OF JAMES V. FORRESTAL, UNDER SECRETARY OF THE NAVY

Mr. FORRESTAL. James V. Forrestal, Under Secretary of the Navy; and with me is Mr. Frank M. Folsom, who is the Assistant Chief of the Office of Procurement and Material of the Navy Department.

The CHAIRMAN. We asked you to appear, Mr. Forrestal, to testify on the question of surplus property and supplies with reference to what will be done with this surplus property and supplies after the war. Since the Navy is very much interested in this subject we would like to have your comments and suggestions on it.

Mr. FORRESTAL. Mr. Chairman, I do not know whether I have approached this from the point of view that you would like it explored, and I have taken this opportunity to give this committee just the viewpoint of the Navy Department, which may be narrow and rather limited. We have looked at it primarily from the standpoint of what the Navy would like to see happen to the vast supplies of equipment and material, and because of that approach it may be, as I say, a rather limited point of view, so if you will bear with that approach, I do welcome the opportunity to say a few things that are in the Navy's mind, and we think that this inquiry of yours does touch upon our own limited interest as well as thet national interest.

I question whether my own views on the broad question of plant disposal and disposition of surplus materials is of any great value at this particular time because I have not formulated any clear personal opinion—and the Navy has not—as to that particular aspect of the question that you are interested in, namely, the effect and impact upon the small business enterprises of the release of this plant capacity and the equipment in the plants that have been built for war.

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What I have to say is predicated upon the assumption that the country will want to maintain itself for a long time to come in a state of readiness for war. This condition of readiness does not merely mean the existence of a powerful Army, Navy, and Air Force, but it means the existence of the capacity and facilities that can swiftly create the weapons for those forces. So far as the Navy is concerned, this means the availability of critical materials, of machine tools, and of plant capacity that can create the vessels and aircraft and their components.

We believe that the Navy should keep intact, under grease if necessary, the majority and, in fact, I would say all of its heavy ordnance plants, its key aircraft plants, and its special shipyards. When I say that, I mean those yards that have been constructed to build naval vessels such as the destroyer escorts and destroyers, as well as the naval operating bases, and that statement also means the inclusion of the machine tools and the heavy equipment in those plants. These munitions plants, which are part of the foundation of our fighting strength, must be as ready to go into instantaneous action as the fleet itself.

Whether these plants, and the tools in them, are to be leased for minor conversion and private operation, or whether the plants are merely to be kept idle under grease, is an economic question which we think is outside of our authority. The Navy's single interest is that these plants shall not be scrapped. I would like to underline that as much as we can.

Mr. PLOESER. Mr. Forrestal, would you mind interruption?

Mr. FORRESTAL. No, indeed. I would welcome it.

Mr. PLOESER. Isn't it true that the machine tools might become obsolete?

Mr. FORRESTAL. I come to that a little bit later. As a matter of fact, the chief obsolescence in machine tools is in terms of speed of use. Actually the tools themselves have a life of amazing tenure. As an example, and I shall refer to it a little later in my statement, I looked at a plant in Ohio making magazines for the Oerlikon gun, and in the early days when we were under pressure to get tools, by improvisation that company, the National Cash Register, had gone out and collected a lot of machine tools in the surrounding area, and some of those machine tools bore the date of 1898. They did not do the job as speedily as a modern tool which combines the functions of all six of those tools that they had operating under a particular jig, but they did the job. It took more manpower and it took longer, but we got the magazines. I think the same thing holds with the heavy machinery such as cranes. At the end of the last war, we scrapped crane-building capacity, that is, the capacity that builds for shipyards big overhead cranes capable of lifting very large and very heavy weights. Of course there was no particular use for those when the last war was over. We scrapped several plants, and heavy cranes at the beginning of this war were worth their weight in gold. There was no capacity, and the cranes themselves had been broken up.

Mr. PLOESER. When these tools are out of use, how long a time can you preserve them under grease?

Mr. FORRESTAL. I think indefinitely. I am not an engineer, so I would want to check that statement, but I have seen, as I say, these

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tools, and I have checked the dates of many of the tools that were in operation around the country.

Mr. PLOESER. Of course, those tools may have been in use in the interim.

Mr. FORRESTAL. Yes, it is quite possible, but, by and large, the machine-tool industry, the art of building machine tools, is mainly related to improvements in speed and quantity of production. A machine tool is really the old lathe which was the foundation, the lathe and the plane and all the combinations, higher cutting edges, greater hardness brought by carborundum into the machine-tool industry, all these related to speed and utilization of labor.

The Navy has three ordnance plants located at Centerline, Mich.; Canton, Ohio; and Louisville, Ky. These three plants are a unit; that is, they form a part of a chain, so to speak, comparable in scope to the manufacturing unit of the Naval Gun Factory here in Washington. Each of these plants is a good-sized machine shop. The Centerline plant is the detail shop for small parts; Canton, what we call a medium heavy-duty shop; and Louisville, the heavy-duty and assembly shop. The main work of these plants consists of the manufacture and assembly of all types of naval ordnance, such as gun mounts, torpedo tubes, fire-control units, and so forth, and they also take care of battle-damage requirements which are always unpredictable, both in scope and length of time, and usually, of course, very urgent.

There is also a large ordnance plant for the manufacture of torpedoes at Forest Park, Ill., which is currently run by a subsidiary of the American Can Co. This plant is now producing 12 torpedoes per day and is expected ultimately to reach a maximum of 15 daily. You can imagine what that means when I say the total production of all plants for the Navy was 3 torpedoes a day. This is only one now, but it is a sizable plant and it is producing five times the number of torpedoes that were made over-all in the last war.

Another Navy plant that I would like to keep intact is the Pratt & Whitney aircraft engine plant at Kansas City. This plant has ultimately a capacity of 1,000 engines per month for a total horsepower of 2,000,000.

Mr. PLOESER. That plant is making airplanes?

Mr. FORRESTAL. Engines; air-cooled, radial engines.

Mr. PLOESER. That is a Navy plant?

Mr. FORRESTAL. A Navy plant, yes.

Mr. PLOESER. You would like to see that held for future use?

Mr. FORRESTAL. We would like to. It is well built. It is an integrated unit in the middle of the country, remote from attack, beautifully tooled, and it could be put under grease and its machines, I think, would be usable for the next 10 or 15 years.

Mr. PLOESER. If we maintain the same size Navy that we are operating now, would such an airplane engine plant as you designate find full use for the maintenance of our present sized Navy?

Mr. FORRESTAL. No, I would doubt it. I am speaking of a reserve.

Mr. PLOESER. Would you find a partial use for it?

Mr. FORRESTAL. You might.

Mr. PLOESER. Aircraft becomes outdated and outmoded and it also, I imagine, depreciates very rapidly.

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Mr. FORRESTAL. It depreciates—no, I do not think necessarily machine tools depreciate.

Mr. PLOESER. I said aircraft.

Mr. FORRESTAL. Aircraft, yes, because there are new types.

Mr. PLOESER. It could be used for replacements in order to maintain the present air strength for the fleet?

Mr. FORRESTAL. I think it points up. When I say 2,000,000 horsepower, that does not mean much in my mind until it is related to some other capacity, but the parent company, Pratt & Whitney, in 1939 at Hartford was producing only 100,000 horsepower a month. That gives you some idea of the tremendous expansion of this industry.

Mr. PLOESER. Who owns the Amertorp torpedo plant in St. Louis?

Mr. FORRESTAL. The Navy. We have a lease with a private company, the American Can Co., to operate it.

In addition to the preservation of such plants as these and our navy yards, I believe very strongly that there should be a national stock pile of critical raw materials, machine tools, and the necessary cutting tools. Our experience in this war has shown thta we can produce vast quantities of munitions, if these essentials are available. We have also learned that the age of tools is not necessarily a deterrent to their use, and I could recite that instance which I referred to and which I shall not bore you with by repeating.

I believe members of the machine-tool industry would be glad to cooperate with the armed services in selecting those tools which have been found by experience to be essential in production, particularly certain multiple-purpose tools and some of the larger tools like gear-cutting and hobbing machines which are of such a size as to be practically a factory in themselves. When you speak of tools, they run from a hand-cutting tool to a machine that is as large as this room. I would judge that a gear-hobbing machine would have about half the cubic dimension that is in this room.

There are certain other plants which the Navy in particular would like to see retained in being if not in use, such as the special-treatment steel plants of Lukens Steel Co. at Midvale which turn out wide armor plate capable of resisting modern projectiles. That was not a big company, yet you could not call it a small company. It probably did ten to fifteen millions a year. Its product is essential for Navy armament because they made a certain kind of steel plate, in width and in resistance qualities, that nobody else made in the country.

Mr. PLOESER. Does the Navy own it?

Mr. FORRESTAL. No; it is a private company, but it had great difficulty between wars in remaining in existence. It was very prosperous in the last war and then it had the doldrums in the intervening period, and it is very vital in this war.

Mr. PLOESER. Do you feel the Navy should acquire it?

Mr. FORRESTAL. I do not want to reach that conclusion at the moment. That is a broad economic question I do not want to deal with, but I want to be also sure it is in existence.

Before I leave the subject of facilities. I would like to emphasize that I have been talking about certain special-purpose plants, that is, those plants designed to make particular items. They are as vital to our national security as the actual ships or planes or guns. They cannot be improvised by conversion of peacetime industries. You cannot make a boiler factory or gear-hobbing machines or precise

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multiple-machine tools in a motor plant. Those are specialized industries.

As to the disposition of surplus materials, I believe that the Navy should keep all the materials for which it may possibly have use, and there are two reasons for being very liberal in interpreting that statement.

First, the smaller the amount of material that is thrown on the market at the end of the war, the less the disturbance in that market will be. Second, insofar as the Navy can utilize materials which it has on hand and which it, therefore, has paid for, the less the cost of upkeep to the Navy in peacetime. The material retained can be resurveyed from time to time to see whether, in the light of changed conditions, it should continue to be held.

I do not believe, however, that the Navy should be required to keep large surpluses of items like food and clothing which do deteriorate rapidly, although, as a matter of fact and as Mr. Folsom knows, a lot of the material bought by the Army in the last war has been found usable, such as clothing, blankets, and so forth, for this war.

Isn't that correct, Mr. Folsom?

Mr. FOLSOM. Yes.

Mr. FORRESTAL. The Navy should not be required to wear shoddy clothes for the next 10 years, nor should food be allowed to spoil. Somewhere a use can be found for these semiperishable items—a use which will help and not hinder the post-war world—but that is not the Navy's province.

The committee should not infer from anything which I have said that I believe the production of Navy ships and planes should cease on armistice day. The Secretary of State has stated that the policy of the United States will be to maintain peace by force, if necessary. This policy means that the nations which hate war must keep in their own hands the ability to make war.

Therefore, we must do four things. First, we must keep a large, modern fleet and naval air arm for many years. Second, it is important that research activities—and I emphasize this again, and I think you gentlemen will all agree with me—research activities and testing plants must be kept in full operation because we have found in this war that prototypes that were in existence or the research that was completed laid the foundation for swift production, and you do not have time for that research when war is on. You get some things such as radar and electronics; but, by and large, you have the products made possible by research before the war.

Third, some Navy production must continue, I mean by that that some of these plants I speak of should have a sufficient sekeleton force so that their operation is maintained, their machinery kept in order, and that that skeleton force can provide the supervision and the know-how necessary when you come to expand quickly into rapid production.

Fourth, as I have said, other key production facilities should be kept in existence, under grease if necessary, so that they will be ready to back up our fighting forces whenever the need may arise. That was illustrated, I think, by the South Charleston gun plant which we owned at the end of the last war and which, I think due largely to the interest of the President, who was then Assistant Secretary of the Navy, was kept intact. This property was kept by the Navy and it proved to be of very great use to us when this war started.

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That concludes my statement.

The CHAIRMAN. I want to ask you one or two questions and I am sure the other members of the committee would like to ask you some.

Does the Navy Department now dispose of surplus material and equipment?

Mr. FORRESTAL. Does it now dispose of them?

The CHAIRMAN. Yes.

Mr. FORRESTAL. Well, we have disposed of some, not a very great amount. I think Mr. Folsom can make a more complete statement on that.

Mr. FOLSOM. We have not had any surplus to dispose of yet. We are still going up.

Mr. FORRESTAL. There is an interchange.

The CHAIRMAN. But no materials have been disposed of, of any kind?

Mr. FOLSOM. We have traded with the Army. We have transferred goods to the Army and to other services.

Mr. FORRESTAL. In that sense, we have disposed of some. There has been an adjustment between the different services.

The CHAIRMAN. Between the different armed services?

Mr. FORRESTAL. Yes.

The CHAIRMAN. But you have not disposed of anything, either material or equipment, to the public?

Mr. FORRESTAL. Not that I know of.

The CHAIRMAN. Do you have any idea of about how much of this property can be used by small firms when the war is over, machine tools and equipment like that that you have?

Mr. FORRESTAL. I should think that a very large amount of our machine tools would be usable. I would doubt that the big machinery, the shipyard machinery, the heavy cranes—they might be usable by contractors, road contractors and builders, but it is very difficult to get in my own mind any approximation of what that would amount to.

The CHAIRMAN. Do you have any suggestion to make as to how this surplus property should be disposed of when the war is over? You stated that the property you think should be kept intact, but the property that will be disposed of, for instance, clothing and other property.

Mr. FORRESTAL. I would like Mr. Folson to make a reply to that, but at the beginning I would like to say this: I think it is a subject that the Congress should address itself to with the greatest care. I think it has such broad economic implications and effects and impacts that you cannot have too thorough a discussion of it. I think it has to originate right in the law-making part of the Government and I am sure that Congress would call upon the executive branches to give their views, but it is a part of national policy so profound in its effect that I think it needs very careful study.

Mr. Folsom has some views on it.

Mr. FOLSOM. It would be a real tragedy if, after the war, your clothing and stores, which include hand tools and small equipment of that type, were thrown on the market. I have no recommendation as to exactly how it should be done, but under any circumstances it would really be a tragedy to your whole domestic set-up if you immediately threw on the open market your clothing, your textiles, unfinished goods, and your hand tools and all your small stores, because it would just simply upset your whole market and it would

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hurt everybody, big and little alike. I think that legislative action should implement some set-up so that won't take place.

The CHAIRMAN. So as to require orderly distribution.

Mr. FOLSOM. Yes; orderly distribution. As a matter of fact, after the last war, one item, woolen underwear, was on the market for 20 years, and the last lot was disposed of in late 1939. That was always disturbing to that particular industry.

The CHAIRMAN. Any questions?

Mr. HALLECK. Of course, I hope the Navy is not today piling up that much heavy underwear, because a lot of people who need it cannot buy it.

Mr. FOLSOM. The Navy is not piling it up, but, as a matter of fact, the Army did not think they were piling it up in the last war. They had one kind of underwear to use. In this war, you have very heavy underwear for Alaska and for very cold climates, you have the different weights for summer and winter, and then you have tropical goods, and you have all kinds of clothing, textiles that you could use in any part of the world. In the last war all you had was the same type of clothes that you wore here. It was just one season.

Mr. HALLECK. There has been a suggestion before the committee which has impressed me a good deal, that when these goods are disposed of, they should be disposed of through the established channels of distribution, to the end that the Government gets the most for the goods and that the established channels not be further hurt in these difficult times by turning the goods over to speculators or gyp buyers who would then put the goods on the market in any way that they could for their own individual profit. Would you care to express a view about that?

Mr. FOLSOM. Very definitely I believe the goods should go through regular organized distributing channels that now exist and not allow new channels to be opened up. You already have a well-ordered distributing system in this country and we do not need new systems which would distribute through speculative channels.

Mr. HALLECK. This occurs to me: The Navy has a number of commercial vehicles or semicommercial motor vehicles which, I take it, they will not need to have.

Mr. FORRESTAL. That is one thing you certainly can dispense with.

Mr. HALLECK. Much of that would be dispensed with; yes. There are automobile dealers in the country who are, as they say, hanging on by the skin of their teeth. They were one of the first casualties of this war. To my mind it would be highly disadvantageous to the country and certainly not a fair deal for them if some individual or group of individuals should come in and buy all these motor vehicles and then proceed to retail them on the market and short-circuit out the men who are in that business and who probably would know best where the vehicles should be sold and then could service them after they are sold.

Mr. FOLSOM. I would think that would be very logical and should be done.

The CHAIRMAN. Any other questions?

Mr. ROBINSON. I am just wondering if you have any suggestions as to how that can be done.

Mr. FORRESTAL. Mr. Folsom and I have talked that. May this be off the record?

The CHAIRMAN. Yes; if you desire.

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(Discussion off the record.)

The CHAIRMAN. We expect to have Under Secretary of War Patterson and also Admiral Land as witnesses. We have already talked to them about testifying and they will testify.

Mr. FORRESTAL. I would like to add one thing for the record, that I think Admiral Land has endorsed the suggestion on ships, that a certain tonnage of merchant shipping be laid up and kept as a national stockpile of shipping in the event of war, having in mind that our wars must necessarily, with the foreshortening of space, be fought far from our own shores, and that means ships. I think the suggestion of taking off a certain amount of merchant shipping and keeping it for another emergency is a very sound one. The Navy has a great interest in that because you cannot fight wars without ships.

Mr. PLOESER. Do you think that would have the effect of endangering our post-war economy?

Mr. FORRESTAL. I think we will have so much merchant shipping when this war is over that bottoms—I am speculating now—but I think you could take at least 5,000,000 tons out of our shipping and not even feel it.

Mr. HALL. I understand it is estimated we will have at least 60 percent of the merchant shipping of the world.

Mr. FORRESTAL. I should think it is at least that much.

Mr. KEFAUVER. You say certain shipbuilding facilities should be kept by the Government through one means and another. I suppose you contemplate, though, a great many shipbuilding facilities will have to be disposed of and put to other use.

Mr. FORRESTAL. I suspect so, yes.

Mr. KEFAUVER. Have you any idea as to how that should be handled that you would like to express?

Mr. FORRESTAL. I do not think my views are sufficiently formulated to have them valuable. In general, I think we will need a certain number of repair yards on the Pacific coast, for example. I think there may be certain yards that are now operating for the Navy that we may be able to combine with the merchant shipping, in other words, have enough business, I hope, through merchant shipping to warrant their continuance in business, but if they do not, they ought to be kept, again even if they have to be greased up.

Mr. KEFAUVER. I have just been down in Alabama. They have two shipbuilding plants down there, one making barges and one making small Liberty ships on the Tennessee River. I know those people are very much concerned about what they will do with those installations during the post-war era.

Mr. FORRESTAL. That is right. It is a part of the problem that needs both thought and study. It may be that some of those also ought to be kept intact because landing craft, which I presume some of those plants could build, are also instruments of modern war.

Mr. HALL. I was just going to say this, Mr. Forrestal, that I was very interested in what you said about research. I think that it was fortunate during the depression period that we still had private capital doing research work in the airplane industry.

Mr. FORRESTAL. There is no question about that.

Mr. HALL. I wonder if we ought not to expand that research for the Army and Navy even during peacetime for the instruments that can be used in war.

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Mr. FORRESTAL. I am glad you made the observation, Mr. Hall. We are all, I think, clear about research today and the need of it, but it will take a lot of will on the part of Members of Congress to keep that in their minds against the diversions and the pressures of other things that may look more important. I would like to see the Congress insist that the Navy and the Army spend a certain amount each year for research and spend it through the private industries that are developing. That does not mean only big organizations. There are many small firms that have done splendid work of a precise nature and they should receive encouragement.

Mr. HALL. We certainly are fortunate in having had those private concerns making that research. We would not have had much in the airplane line if we had not.

Mr. FORRESTAL. That is true.

The CHAIRMAN. Do you have any goods that have been declared surplus on hand, Mr. Forrestal; for instance, underwear? I believe you gave that as an illustration.

Mr. FORRESTAL. I do not believe so, do we, Mr. Folsom?

Mr. FOLSOM. No.

The CHAIRMAN. Or do you have any materials to make civilian goods on hand that might be considered surplus?

Mr. FOLSOM. No.

The CHAIRMAN. You know the civilians are not getting everything they want, and some are not getting everything that they need. I have information that leads me to believe that some agencies of the Government have large supplies of goods and materials that are really surplus that could be used by the civilians, and that is a question we expect to look into.

Mr. FORRESTAL. That is true, Mr. Chairman. I think that the so-called consumption goods, we do not have a surplus of those goods in terms of your necessary stock piles to implement troop movements of phases of the war that may develop under the advancing tempo of war. I mean by that that the shift in the Mediterranean has obviously a great impact on the plans for the war, and those occurrences may alter your requirements.

I do not want to leave the impression that we have a perfect plan which produces precisely what we want at a given moment for every unforeseen development. We are making shifts in our construction, for example, of certain types of vessels, of certain types of landing craft, and those changes may result in partially fabricated materials, but when you ask whether they would be usable for the civilian population, it is quite doubtful because they may have gone so far that you cannot walk back and change them into usable goods.

Mr. FOLSOM. We have had a series of conferences with different members of the industry committees of the War Production Board and the Office of Civilian Supply checking in detail to see if there was not something available in regard to the question you asked now. As a matter of fact, there was a meeting yesterday on shoes. We have a 3 months' stock of shoes on hand at the present time.

The CHAIRMAN. But you have no surplus?

Mr. FORRESTAL. We have no surplus.

Mr. ROBINSON. Does that apply to food also?

Mr. FOLSOM. All the Navy's food is bought by the Army. The Army is the one procurement agency for all food—for the Army, Navy, Coast Guard, and Marines.

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Mr. PLOESER. I want to ask Mr. Forrestal if he will furnish the committee, for our working records, the dollar value of plants which the Navy owns.

Mr. FORRESTAL. $2,480,000,000.

Mr. PLOESER. Could you break that down by classifications? In other words, I would like to know what you own in machine shops, heavy armament plate, what you own in gun plants, chemicals, and textiles, if you own any.

Mr. FORRESTAL. Yes.

Mr. PLOESER. Then, if you would not mind, designate what you at least think now might be advisable for the Navy to retain. It may not be your final opinion. It will be understood that it is not that, but to give us some preliminary working opinion. I would go even further and ask that you give us your opinion on what you might retain, as, for instance, the type of armor-plate plant you just mentioned. It might be desirable for the Navy to acquire it, where I can see it would not be very desirable for private industry to attempt to maintain it

Mr. FORRESTAL. We will be glad to do that.

Mr. PLOESER. I think you understand what I am trying to get at.

Mr. FORRESTAL. Yes. I do want to emphasize that necessarily, in such estimate, it is a very fluid one because of the fact that the Navy, after all, is an implement of national policy and the size of our Navy is going to be determined, to a large extent, by the national position upon what we think as a Nation we need. The Navy hopes that those estimates will be high.

Mr. PLOESER. If you will do that in the light of the fact it is a preliminary thing.

Mr. FORRESTAL. Yes.

Mr. KEFAUVER. Does the Defense Plant Corporation own any of the Navy plants?

Mr. FORRESTAL. There is an additional $480,000,000 which is so-called defense plants. I am speaking from memory, but I think the figures are correct; $2,500,000,000 is Navy money, and $500,000,000 D. P. C.

Mr. KEFAUVER. You are only going to list——

Mr. FORRESTAL. We are only going to list what we own directly; yes.

The CHAIRMAN. Do you know anything about the W. P. B. Redistribution Division, Mr. Forrestal or Mr. Folsom, either one of you?

Mr. FOLSOM. I do not know just exactly what that is.

The CHAIRMAN. I had information that leads me to believe that they have what is known as a Redistribution Division devised for the purpose of disposing of the surplus goods after the war. You have not come in contact with that?

Mr. FOLSOM. No; I have not.

The CHAIRMAN. Any other questions, gentlemen?

(No response.)

The CHAIRMAN. Thank you very kindly, Mr. Forrestal.

Mr. FORRESTAL. I appreciate the opportunity to testify.

The CHAIRMAN. The other witnesses will be here when the committee wants them to come, Under Secretary of War Patterson and Admiral Land. Some of the committee members will have to be away soon, so we will not announce now the next meeting of the committee. So, without objection, we will stand adjourned.

(Thereupon, at 11:50 a. m., the committee adjourned.)

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SMALL BUSINESS OF THE UNITED STATES

THURSDAY, OCTOBER 21, 1943

HOUSE OF REPRESENTATIVES

SUBCOMMITTEE OF THE SELECT COMMITTEE TO CONDUCT A STUDY AND INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM IN ITS RELATION TO SMALL BUSINESS IN THE UNITED STATES AS AFFECTING THE PROBLEM OF THE DISPOSITION OF SURPLUS WAR DEPARTMENT PROPERTY,

Washington, D. C.

The subcommittee met, pursuant to adjournment, at 11 a. m., in room 1301, New House Office Building. Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman (chairman), Robinson, Stevenson, Halleck, Hall, and Ploeser.

Also present: Dan W. Eastwood, chief investigator for the select committee, Col. E. J. McGrew, Jr., Lt. Col. C. L. Austin, Capt. Joseph F. Johnston, and Col. Warren Ege.

Mr. PATMAN. The committee will be in order.

Mr. Secretary, we know you are a very busy man. Whenever you are ready, we are ready. You may proceed.

You are acquainted with the purpose of our hearing. It is on surplus property disposal. Do you have a prepared statement?

Secretary PATTERSON. I have a short prepared statement, Mr. Chairman.

Mr. PATMAN. You may proceed without interruption until you finish that.

STATEMENT OF THE HONORABLE ROBERT P. PATTERSON, THE UNDER SECRETARY OF WAR

Secretary PATTERSON. The details of the problem that I am not familiar with, I will refer to officers present who have given them close study.

Mr. PATMAN. Have them come around, if you desire.

Secretary PATTERSON. Colonel McGrew, Colonel Austin, Colonel Ege, and Captain Johnston.

Mr. Chairman, I am very glad to respond to your request to appear before your Committee on Small Business to testify with respect to the problem of the disposition of surplus War Department property. This problem is, of course, so far as the post-war period is concerned, only a part of the general problem of industrial demobilization. I believe it would be helpful to the committee to review briefly the present thinking of the War Department with regard to this general post-war

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problem. This will furnish a background for the discussion of the present problems relating to surplus property. At the very outset of my remarks, I desire to make it perfectly clear that nothing which I may say should be construed as an indication of a belief in the War Department that this war is nearing its end. On the contrary, we have not as yet even reached the peak of production which will be required to equip and maintain the armed forces necessary for victory.

The War Department does not view industrial demobilization as an abrupt change from war production to purely peacetime production. Actually, it is believed that the pattern for industrial demobilization is being currently set through the piecemeal termination of contracts made necessary by changing strategic conditions. These current contract terminations are for the purpose of discontinuing or reducing items no longer required, or required in a smaller quantity, and to convert certain of these plants to the production of more urgently needed military products. Out of the processes and the procedures now being established, as modified by experience, will evolve the processes and procedures to be followed on an accelerated scale when we reach the first stages of demobilization.

The War Department's views with respect to certain financial aspects of the problem of industrial demobilization were presented in some detail before the House Ways and Means Committee on September 20, 1943, and a complete statement of the Department's position regarding the termination of contracts was presented to the Military Affairs Committee of the House on October 15, 1943. I assume that this committee does not desire a repetition here of the details of these statements.

Mr. PATMAN. We will obtain those statements, Mr. Secretary, and make them a part of this record, if we feel that it would be helpful.

Secretary PATTERSON. It is sufficient to say here that we must realistically face the fact that unless industry, upon the termination of its war production contracts, is enabled to reconvert rapidly to normal peacetime production, a disastrous hiatus in the industrial economy of this Nation will result. Speaking practically, this means that, on the termination of a war contract, the means and the authority must be at hand to make a final settlement of all claims thereunder as quickly as possible, that we must provide working capital through loans, advance payments, or other devices during the settlement period, and that we must rid the plant as quickly as possible of Government-owned tools and equipment, unfinished work in process, and unusable materials, and otherwise assist in the expeditious reconversion of the plant to normal peacetime manufacture. Legislation necessary for the accomplishment of these objectives has been proposed by the War Department.

That legislation, I might say, is particularly along the line of providing temporary financing.

Mr. PATMAN. Have you prepared a bill, Mr. Secretary Patterson?

Secretary PATTERSON. We prepared a bill last June known as the May bill, before the House Military Affairs now.

Mr. PATMAN. It will be introduced?

Secretary PATTERSON. Yes.

Mr. PATMAN. Do you recall the number?

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Secretary PATTERSON. I think it is 3022. That bill had to do primarily, and I think exclusively, with authority for making advance payments, loans, and other temporary assistance to contractors in the period from termination of the contract down to final settlement and payment of the termination claims. This committee knows that we have termination clauses in our contracts.

Mr. PATMAN. Yes.

Secretary PATTERSON. Which, in general, provide that we may terminate at any time on notice and that the contractor then has a claim against us for his costs, down to the date of termination, plus a percentage of the profit that would have been earned on the contract had it been completed, the percentage to be determined upon the stage of completion of the work. That is it in general.

We are now engaged with the Navy Department in working out a uniform clause that the Navy and Army will use alike, and possibly other procurement agencies.

That is a digression from the topic. That in general is the nature of the legislation that is being considered by the House Military Affairs Committee.

Mr. PATMAN. Go ahead and finish your statement.

Secretary PATTERSON. I will say we have already suggested some amendments to the original May bill, that were suggested by us to Chairman May of the House Military Affairs Committee. He introduced the measure at our request.

The War Department has been studying the problems of industrial demobilization and laying the ground work for sound planning and has been coordinating with other appropriate agencies in connection with matters of mutual interest. It is hoped that these efforts will assist us in the coordination of such over-all policies as may be established.

The War Department's planning thus far is based upon two fundamental considerations:

The first is the necessity of insuring that industrial demobilization is carried out in a prompt, orderly, and equitable manner. This will facilitate the reconversion of industry to the production of peacetime products, and will minimize the inevitable interruption of the employment of the men and women now engaged in war industries and will aid in furnishing employment for those to be discharged from the armed forces.

The second is the obligation to lay the foundation for a sound, permanent military establishment capable of rapid expansion to meet any future emergency.

The disposition of surplus property is not only one of the major problems of demobilization but is also integrally related to the war production program. Any consideration of the problem must, therefore, be predicated upon a recognition of the present and continuing responsibility of the War Department to see that excess property within its control is promptly utilized in the war program. It is only after a determination by the War Department that a particular item or lot of property is not needed by any other agency or by any war contractor for immediate use in the production of war supplies that the problem of disposition to the public arises.

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The best method of disposing of surplus property will vary with the character of the property and its location. There are four broad classes of Government-owned industrial property:

(1) Real property, of which the greatest investment is in the form of plants for production of war materials and equipment.

(2) Personal property, in the form of machine tools and production equipment in these plants, or in private plants.

(3) Personal property, consisting of raw materials and partially fabricated products in the hands of manufacturers, title to which either rests in the War Department or may be acquired in connection with terminated contracts.

(4) Personal property in the form of finished items of material and equipment already delivered to the War Department, or ready for delivery.

Each of these classes, in turn, may be classified in three other ways:

(1) Real or personal property necessary to the prosecution of the war or the subsequent maintenance and equipment of the military establishment, or required for war reserves, or stand-by, for the production of equipment necessary for the expansion of the Army in any future emergency.

(2) Real or personal property, surplus to the needs of the War Department, but usable by and useful to the civilian economy and available for sale.

(3) Real or personal property, surplus to the needs of the War Department, but of little or no use and salable only as scrap or salvage.

Whether industrial property is owned by the War Department or acquired and owned by the Defense Plant Corporation under War Department sponsorship, it may be classified into two other broad types. These two types are characterized by the problem they will present on demobilization. The first are those facilities comprising complete plants which did not exist before the war and, consequently, had no peacetime employment or production. The second type includes the facilities and equipment in plants which existed before the war, which are, in general, privately owned and had a peacetime production, and now contain large quantities of Government-owned machine tools and equipment as the result of conversion to war production. The disposition of these facilities will constitute the critical part of the problem upon the partial or complete cessation of hostilities, and is right now a serious problem in connection with the termination of industrial war contracts. These are the plants which, after the war, must be cleared of unneeded equipment and materials as quickly as possible, in order that there may be a minimum of obstruction to immediate reconversion to normal peacetime production. The pressure for the clearing of these plants will be tremendous, and the War Department is giving attention to the most effective procedures to accomplish this end.

The chairman's letter of October 14 inquired if I could supply the committee with a list of plants, machinery, and equipment which are now surplus to the needs of the War Department. It is not possible to furnish such a list at the present time, and it is doubtful if it will ever become practicable to centralize such figures on an over-all basis for the War Department, as the quantity of supplies, materials and equipment becoming surplus and being disposed of is constantly

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fluctuating and, in order to avoid delay, redistribution operations are decentralized in a similar manner to our procurement activities.

I might pause a minute there and say that they are decentralized to the various supply services of the Army, such as Quartermaster, Ordnance, and so forth. Then in turn in those branches they are decentralized to their district offices, the procurement offices, of which the Ordnance Department has some 14, I think.

The War Department, as a whole, excluding the Air Corps, has some 53 branch offices in its different services of supply, and I believe 5 or 6 in the Army Air Corps which are not strictly a service of supply, although the Matériel Command of the Army Air Forces functions about the same as the Services of Supply.

As property becomes excess at point of use, it is circularized broadly among using and procuring components of the War Department and the Navy Department. Circularization lists are originated from day to day at many places throughout the country, and excess property is in a continued state of flux. While there are no figures available indicating the present quantities of surplus materials, an operating statement, showing on a consolidated basis the transactions in connection with redistribution of excess property for the third quarter of this calendar year, will be available early in November. This statement will show the estimated volume of internal redistribution (transfers within Government) as well as sales.

When this statement is available, I will be glad to furnish the committee with the information which it contains.

Mr. PATMAN. When will this statement be available?

Secretary PATTERSON. Early in November.

Mr. PATMAN. Will you furnish it to our committee?

Secretary PATTERSON. Yes, sir. Will you see to that, Colonel?

Colonel AUSTIN. Yes, sir.

Mr. PATMAN. We will make it part of your revised testimony.

Secretary PATTERSON. Thank you.

The War Department regulations governing the disposition of surplus property are embodied in Procurement Regulation No. 7. Copies of this regulation, as revised October 15, 1943, have been made available to the committee. The regulation establishes procedures for the disposition of all kinds of surplus and unserviceable property controlled by the War Department except surplus real estate.

(The statement referred to is as follows:)

10-15-43

EXHIBIT A

PROCUREMENT REGULATION NO. 7

DISPOSITION OF PROPERTY

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DISPOSITION OF PROPERTY

SECTION I. GENERAL

[¶701] *Recission of regulations.*—This Procurement Regulation No. 7 does not rescind, amend, or otherwise affect the provisions of TM 38–220 or other Directives concerning stock control for military property. All other regulations and instructions inconsistent herewith are hereby rescinded. This Procurement Regulation No. 7 does not, however, rescind or in any way supersede any other Army Regulations or manuals of procedure dealing with the disposition of property except to the extent of any inconsistency with the provisions hereof.

[¶702] *Property defined.*—The term "property" as hereinafter used in this Procurement Regulation No. 7 means all property, title to which is in the Government, other than real property. The disposition of real property is governed by Circular 212, War Department, 1943. This Procurement Regulation No. 7 is not applicable to property not owned by the Government which is in the hands of a contractor under a contract in process of termination, but the general principles stated in paragraph 760 are equally applicable to such property.

[¶703] *Classification of property.*—The following classifications of property owned by the United States and under the control of the War Department are established for the purpose of this Procurement Regulation No. 7.

[¶703.1] All property is divided into military property and nonmilitary property.

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[¶703.2] Military property consists of all supplies and equipment held for issue or issued, to or for troops, military posts within the United States, and theaters of operation; and includes tactical supplies and equipment, subsistence items, and property required by tables of allowances, tables of basic allowances, and tables of equipment.

[¶703.3] Nonmilitary property is all property other than military property. Nonmilitary property is in turn divided into industrial property and miscellaneous property.

(1) Industrial property is all equipment and materials which are used or usable, directly or indirectly in manufacturing or processing activities, other than military property. Industrial property includes machine tool equipment; processing equipment; construction equipment of all kinds; perishable tools, gages and precision measuring equipment; plant protective equipment and clothing; manufacturing aids; buildings, fixtures and appurtenances when severed from realty; raw materials, partly fabricated materials, completely processed or fabricated materials; scrap, cuttings and byproducts of all kinds and forms resulting directly or indirectly from manufacturing operations; and all other equipment, assemblies and subassemblies, materials and byproducts of industrial operations; which may be used directly or indirectly in manufacturing activities; provided that no article of military property and no article specifically listed as miscellaneous property in subparagraph (2) below shall be classified or treated as industrial property within the meaning of this paragraph.

(2) Miscellaneous property is all nonmilitary property other than industrial property. Miscellaneous property includes, but is not limited to, all automotive vehicles and equipment, typewriters, office machinery and equipment, office furniture and fixtures, electrical building materials, plumbing and heating materials, and agricultural equipment, that are not classified as military property under paragraph 703.2.

[¶703.4] All property is classified in respect of degree of serviceability as serviceable and unserviceable.

[¶703.5] Serviceable property is property which is suitable for use in its existing condition.

[¶703.6] Unserviceable property is property which is unsuitable for use in its existing condition, and scrap and waste. Unserviceable property is divided into repairable property and nonrepairable property.

(1) Repairable property is unserviceable property which can, in the best interests of the Government, be mended or restored to serviceability. This Procurement Regulation No. 7 does not relate to the repair or reclamation of Government property, which is governed by Circular 75, War Department, 1943, and Pamphlet No. 38–1, War Department, 1943.

(2) Nonrepairable property is unserviceable property which cannot in the best interests of the Government be mended or restored to serviceability, and scrap and waste. Nonrepairable property includes, but is not limited to obsolete nonmilitary property and also any industrial equipment, components and assemblies (whether partially or completely fabricated, processed or assembled) for which there is no reasonable use except as scrap.

[¶730.7] All serviceable property is classified in respect of state of supply as authorized, excess and surplus.

(1) Authorized is, in the case of military property, the maximum stock level authorized for a particular organization, supply point, or technical service, and, in the case of nonmilitary property, the amount for which there is an immediate or definitely foreseeable need for use in the function, activity, project or industrial operation in connection with which the property was acquired or accrued.

(2) Excess is any amount above the authorized amount.

(3) Surplus is an amount declared by competent authority to be, or deemed to be, above the amount for which there is an immediate or definitely foreseeable need for use in the War Department, in accordance with the provisions of this Procurement Regulation No. 7.

[¶704] *Negotiation.*—The term "negotiation" as used in this Procurement Regulation No. 7 means any method of reaching an agreement on the terms of sale except the formal sealed bid procedure contemplated by Section 3709 Revised Statutes with respect to purchases. (There is no statutory requirement for such procedure in the case of sales of Government property. See Opinions of the Judge Advocate General, dated March 19, 1941, SPJGC 1941, 163, and March 30, 1943, SPJGC, 1943, 3449).

[¶705] *Disposition of proceeds of sale.*—The subject of disposition of the proceeds of sales of property (other than Government property being used by or in

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the care, custody, or possession of contractors under cost-plus-a-fixed-fee contracts which is dealt with in paragraph 727) in not covered by this Procurement Regulation No. 7. Reference is made to AR 35–780 and AR 35–6660.

[¶706] *Written contracts of sale, numbering and distribution thereof.*—All contracts for the sale of property for an amount in excess of $1,000 and all contracts for more than $500 which are not to be performed within sixty days, and all contracts authorized under paragraphs 721, 722, or 723 shall be evidenced by a written contract. All other sales will be evidenced on accounting forms now or hereafter prescribed by the chiefs of the technical services concerned, subject to the approval of the Fiscal Director, Headquarters, Army Service Forces, who shall in this respect be deemed to be acting as representatives of the Secretary of War. The provisions of paragraphs 309–309.3 and of paragraph 318–B.5 of these procurement regulations relating to the numbering of contracts are applicable to contracts for the sale of property, except that in connection with such contracts a separate series of numbers will be used in which the letter "s" will be added immediately after the letters representing the technical service (or service command) concerned. Contracts for the sale of property will be distributed in the same manner as other contracts (see Section IV of Procurement Regulation No. 3), except that (1) when a sale of War Department property is made under a contract or agreement the officer or agent of the War Department by whom funds are received as a result thereof will, in turning the funds over to a disbursing officer, accompany such remittance with a copy of the contract or agreement covering the terms of the sale; and (2) the original signed number of each unnumbered contract of sale will be forwarded through channels to the General Accounting Office instead of being sent to the disbursing officer, as in the case of unnumbered contracts of purchase.

[¶707] *Compliance with O. P. A. and W. P. B. Regulations.*—All sales or other transfers (except transfers within the Government) of property made under the authority of this Procurement Regulation No. 7 or otherwise shall conform to applicable orders and regulations of the War Production Board and the Office of Price Administration.

[¶707.1] War Production Board publishes monthly under the title "Products and Priorities" a booklet in which all orders and regulations are briefly digested and indexed by products. All officers responsible for disposal of War Department property should apply to War Production Board, Publication Section, Washington 25, D. C., to be placed on the distribution list for this publication if it is not now available in their offices. Field offices of War Production Board are always available for consultation and assistance on priorities and redistribution matters.

[¶707.2] Officers responsible for disposal of War Department property may rely upon a representation by the buyer to the effect that the purchase is being made in compliance with all War Production Board regulations affecting the buyer, unless they have knowledge or reason to believe that such representation is false. Such a representation should be incorporated in each written contract for the sale of serviceable War Department property.

[¶708] *Application to Army Air Forces.*—This Procurement Regulation No. 7 is applicable to the Army Air Forces. Whenever the phrase "technical service" is used herein it shall include the Army Air Forces, and when the phrase "chief of a technical service" is used, it shall be deemed to include the Commanding General, Army Air Forces, or his delegate or delegates. Unless otherwise specifically indicated, wherever reference herein is made to the authority of or action by the Director, Production Division, Headquarters, Army Service Forces, such authority or action shall, with respect to the Army Air Forces, be exercised by the officer who is acting as Special Representative of the Under Secretary of War, under paragraph 107.7 of these procurement regulations.

[¶709] *Designation of Redistribution and Salvage Officer.*—The chief of each technical service will designate a Redistribution and Salvage Officer in his office. In the case of the Army Air Forces, the Commanding General may designate such an officer in such Command or Commands of the Army Air Forces as he may specify. The Redistribution and Salvage Officer will assume responsibility for coordinating the activities of the technical service as to salvage activities; as to the determination of what items of nonmilitary property are excess within the technical service; as to the determination of what items of military property should be processed for declaration by competent authority as surplus; and as to the acquisition and use by the technical service of military and nonmilitary items available from other technical services. A report of the appointment of such officer will be made within five days of the receipt of this Procurement Regulation No. 7, to the Director, Production Division, Headquarters, Army Service Forces.

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[¶710] *Sales over $1,000,000.*—No contract of sale involving a price of more than $1,000,000, authorized by this Procurement Regulation No. 7 or otherwise, will be executed without the prior approval of the Director, Production Division, Headquarters, Army Service Forces.

[¶711] *Coordination with Property Officer.*—All transfers or sales of property under authority herein contained must be coordinated with the Property Officer accountable for the property involved for compliance with applicable property accountability regulations.

[¶712] *Reports.*—On or before November 1, 1943, each technical service will report to the Director, Production Division, Headquarters, Army Service Forces, the following information as to transactions during the period July 1 through September 30, 1943; and will maintain such records as will permit submission of like reports of transactions for subsequent periods upon request of the Director, Production Division, Headquarters, Army Service Forces, and within 30 days of such request:

(1) Cost, estimated if not known, of serviceable property transferred to other technical services.

(2) Cost, estimated if not known, of serviceable property transferred to Government agencies and instrumentalities outside the War Department, separately by agencies and instrumentalities.

(3) Amounts realized from property sold to purchasers as follows:

(*a*) Other government agencies or instrumentalities separately by agencies or instrumentalities.

(*b*) Others than government agencies or instrumentalities separately as between sales of serviceable property and nonrepairable property (including scrap and waste).

Cost figures required under (1) and (2) above will be such as to afford a fair indication of the magnitude of transfers. Record costs may be used without regard for storage, transportation, handling, or other overhead costs. In the absence of record costs, estimates may be made on the basis of data at hand, without resort to refined accounting or engineering studies.

[¶712.1] The report required by paragraph 712 shall be known as Redistribution and Salvage Report and shall carry Control Approval Symbol UPT–17.

[¶713] *Direct correspondence authorized.*—Direct correspondence is authorized among all levels of the technical services and representatives of other Government agencies in respect of redistribution of available nonmilitary property under this Procurement Regulation No. 7.

[¶714] *Special treatment of items of interest to a particular technical service.*—The Director, Production Division, Headquarters, Army Service Forces, is authorized to require that specified items of nonmilitary property which may be of peculiar interest to a particular technical service be reported to such technical service prior to any circularization required under this Procurement Regulation No. 7 and to prescribe special treatment of such items.

[*The paragraph following is 720*]

Section II. Disposition of Property for Purposes Directly Related to the Prosecution of the War

[¶720] This Section II relates to the disposition of property without regard to its classification as military or non-military, or as to serviceability or state of supply. Since all sales, leases or transfers of property under the authority of the following paragraphs of this Section II will be for the purpose of enabling the property involved to be utilized directly in the prosecution of the war, the authority granted by such paragraphs may be exercised without first obtaining from the Chief of Staff a certificate under the Act of June 28, 1940, Title I, Sec. 14a, 54 Stat. 681, 10 U. S. C. 1262a. The authority to dispose of industrial property under this Section II is subject to the provisions of paragraph 760.1.

[¶721] *Sales to war contractors.*—The chiefs of the technical services are authorized, when it is determined by them that such action will facilitate the prosecution of the war, to make contracts by negotiation for the sale of, and to sell to manufacturers and suppliers having war contracts, including employees and suppliers of war contractors, any machine tool equipment, processing equipment, uniforms, safety clothing and equipment, plant protective clothing and other special articles necessary to persons employed in or otherwise connected with war industries or establishments, manufacturing aids, raw materials, manufactured materials or

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other materials or facilities presently owned or hereafter acquired by the Government. Such sales shall, however, be made only for the purpose of facilitating the performance of such war contracts. All such contracts will recite that they are entered into pursuant to the First War Powers Act and Executive Order 9001.

[¶722] *Sales to Red Cross and U. S. O.*—The chiefs of the technical services are authorized to make contracts by negotiation and to sell to the Red Cross and the United Service Organization any military, subsistence, or other supplies or property which the chief of the technical service finds is needed by such institution in connection with its activities with the Army, provided that no such sale of military property will be made without the prior approval of the Director, Stock Control Division, Headquarters, Army Service Forces, or in the case of the Army Air Forces, the Commanding General, Army Air Forces, or his delegate or delegates. All such contracts will recite that they are entered into pursuant to the First War Powers Act and Executive Order 9001. Copies of all such contracts for the sale of military equipment, munitions, or supplies, the original cost of which exceeded $2,000 will be transmitted to the Chairmen of the Military Affairs Committees of the House and Senate within twenty-four hours after such contracts are made.

[¶722.1] *Other sales.*—Sales under the First War Powers Act and Executive Order No. 9001, other than those authorized by paragraphs 720 and 721, may be made by the chiefs of the technical services provided that the approval of the Director, Production Division, Headquarters, Army Service Forces, is first obtained.

[¶723] *Leases.*—Under the First War Powers Act, 1941, and Executive Order No. 9001, and section 1 of the Act of July 2, 1940 (Public No. 703, 76th Congress) as continued in effect by section 13 of the Act of June 5, 1942 (Public No. 580, 77th Congress), the chiefs of the technical services are authorized, when it is determined by them that such action will facilitate the prosecution of the war—

(1) To include in supply contracts the Government-Owned Facilities article prescribed in paragraph 332, subject to the regulations set forth as Notes to paragraph 332 and to other applicable paragraphs of these Procurement Regulations (see Procurement Regulation No. 10 for approvals of higher authority which must be obtained in certain cases);

(2) To enter into separate lease agreements (i. e., agreements not made part of supply contracts) subject to applicable paragraphs of these Procurement Regulations (see Procurement Regulation No. 10 for approvals of higher authority which must be obtained).

[¶724] *Deleted.*

[¶725] *Leases under other statutes.*—Authority for the execution of lease agreements may be found in certain statutes other than those mentioned in paragraph 723. See AR 850–30 for the terms of those statutes.

[¶726] *Required clauses.*—Contracts and agreements authorized by paragraphs 721, 722, or 723 will contain a "Disputes" clause (under the conditions mentioned in paragraph 326, and in the form set forth in paragraph 326 or in General Provision 11 of W. D. Contract Form No. 17, paragraph 1317), an "Officials Not to Benefit" clause (paragraph 322) and a "Covenant Against Contingent Fees." The latter clause will read as follows:

> "The Purchaser warrants that he has not employed any person to solicit or secure this contract upon any agreement for a commission, percentage, brokerage, or contingent fee. Breach of this warranty shall give the Government the right to annul the contract, or at its option, to recover from the Purchaser the amount of such commission, percentage, brokerage, or contingent fee, in addition to the consideration herein set forth. This warranty shall not apply to commissions payable by the Purchaser upon contracts or purchases secured or made through bona fide established commercial agencies maintained by the Purchaser for the purposes of doing business."

[¶727] *Disposition by contractors.*—The chiefs of the technical services are authorized, when it is determined by them that insertion of such provision will facilitate the prosecution of the war or is necessary to crary out the purposes specified in Section 1 of the Act of July 2, 1940 (Public Law 703, 76th Congress, 54 Stat. 712), to insert in cost-plus-a-fixed-fee contracts heretofore or hereafter executed, the clause set forth in paragraph 363, and any property may be disposed of by contractors pursuant to such clause.

[¶728] *Transfer to other Federal agencies.*—Any property not declared or deemed surplus may, upon the requisition of another Federal agency made pursuant to Section 7 (a) of the Act of May 21, 1920 (41 Stat. 613) as amended by

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section 601 of the Act of June 30, 1932 (47 Stat. 417) and by the Act of July 20, 1942 (Public Law 670, 77th Congress, 56 Stat. 661, 31 U. S. C. 686), be transferred to such gency in accordance with said section, provided that military property will be transferred under the supervision and authority of the Director, Stock Control Division, Headquarters, Army Service Forces, or, in the case of the Army Air Forces, the Commanding General, Army Air Forces, or his delegate or delegates.

[¶729] *Transfer to other War Department Components.*—Any property may, by direction of the chief of the technical service having control thereof, be transferred to another War Department component which has need of such property and makes request therefor, provided that mlitary property will be transferred under the supervision and authority of the Director, Stock Control Division, Headquarters, Army Service Forces, or, in the case of military property of the Army Air Forces, the Commanding General, Army Air Forces, or his delegate or delegates.

[¶730] *Transfers to and from Navy.*—Upon request from the Navy, any property may be transferred to the Navy with the approval of the chief of the technical service concerned and any property requested by the chief of the technical service concerned may be accepted from the Navy. Such transfers of property to the Navy will be made under the supervision and authority of the Director, Production Division, Headquarters, Army Service Forces, as to non-military property, the Director, Stock Control Division, Headquarters, Army Service Forces, as to military property, and the Commanding General, Army Air Forces, or his delegate, as to property of the Army Air Forces. The policy established by the Joint Memorandum of the Under Secretary of War and the Under Secretary of the Navy dated 5 June 1943 is to be given effect in accordance with the provisions of this paragraph and of Paragraphs 731.1, 731.2 and 731.3.

[¶730.1] *Transfers to Civil Aeronautics Administration.*—Any property may, by direction of the chief of the technical service having control thereof, be loaned or transferred to the Administrator of Civil Aeronautics upon written request from him stating that the property will be used in carrying out the purposes of the Civilian Pilot Training Act of 1939 as amended. Such transfers will be made under the supervision and authority of the Director, Production Division, Headquarters, Army Service Forces, as to non-military property, the Director, Stock Control Division, Headquarters, Army Service Forces, as to military property, and the Commanding General, Army Air Forces, or his delegate, as to property of the Army Air Forces.

[¶731] *Reimbursement for property transferred.*

[¶731.1] *Transfers with reimbursement.*—Transfers of property under Paragraph 728 will be effected with reimbursement pursuant to the statutes therein cited. Transfers of property permitted under Paragraphs 729 and 730 will be effected with reimbursement of, or transfer or allotment of funds to, the transferor by the transferee, in all cases where the property is procured by the transferor for the transferee:

(1) By assignment of sole purchase responsibility;

(2) Under procurement pooling arrangements;

(3) Under any arrangement for procurement by the transferor expressly upon the prior requisition of the transferee.

[¶731.2] *Transfers without reimbursement.*—Transfers of property permitted under Paragraphs 729, 730 and 730.1 will, under circumstances other than those specified under Paragraph 731.1 above, be effected without any reimbursement of, or transfer or allotment of funds to, the transferor by the transferee, for either the cost of the property or of packing, handling, or transportation.

[¶731.3] *Procedure for transfers without reimbursement.*—Officers authorized to transfer or direct the transfer of property without reimbursement under paragraph 731.2 will prepare written orders, listing in detail the property to be transferred, copies of which will be furnished to the Accountable Property Officer and the receiving officers. Such orders will contain a request that the authority directing the transfer be advised of any discrepancies between the order and the property shipped or received. A copy of such orders will be used as a valid debit or credit vuocher to property accounts. It will not be necessary to list for fiscal or property accounting purposes dollar values of property transferred without reimbursement.

[¶732] *Gifts and loans of drawings and similar property.*—The chiefs of the technical services are authorized, without further approval, to give or lend drawings, manufacturing and other information and samples of supplies and equipment to be manufactured or furnished, to contractors and private firms which are or

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may likely be manufacturers or furnishers of supplies and equipment for the use of the War Department under approved production plans, and to give or lend to organizations engaged in experimental research, testing, or development such items and any other material, supplies, or equipment for use in connection therewith, provided that if in the case of a gift the estimated value of the property in question exceeds $1,000, or, in the case of a loan, $50,000, the approval of the Director, Production Division, Headquarters, Army Service Forces, will first be obtained.

[¶733] *Exchange of property.*—The chiefs of technical services are authorized to make any exchanges of property which are authorized by the following statutes: 39 Stat. 635, 10 U. S. C. 1271; 40 Stat. 43, 849, 10 U. S. C. 1272; 38 Stat. 1064, 10 U. S. C. 1273; 38 Stat. 1161, 41 U. S. C. 26; 50 Stat. 64, 5 U. S. C. 118d; 53 Stat. 739, 10 U. S. C. 1271 (a); 44 Stat. 680, 10 U. S. C. 1209, 1210; Act of July 2, 1940, Public, 703, 76th Congress, as extended by the Act of June 5, 1942, Public, 580, 77th Congress; Section 203 of the Act approved June 26, 1943, Public Law No. 90, 78th Congress. Any other exchanges will be submitted for the approval of the Director, Production Division, Headquarters, Army Service Forces.

[*The paragraph following is 740*]

Section III. Disposition of Nonrepairable Property

[¶740] *Disposition of nonrepairable industrial property.*

[¶740.1] *Nonrepairable industrial property other than current production scrap.*—Nonrepairable industrial property (other than current production scrap, which will be disposed of under paragraph 740.2), and industrial property to be disposed of under paragraph 763.5, will be disposed of as follows, unless disposed of under Section II above:

(1) A list of the property involved will be prepared by or submitted to an officer designated by the chief of the technical service concerned, who will accomplish the following certification thereon:

"It is my opinion that the property listed hereon is properly classified as nonrepairable industrial property in accordance with the provisions of Procurement Regulation No. 7, and that its condition is not due to fault or neglect."

The certifying officer will require the submission of such statement of facts, including any report of inspection, as he deems necessary as a basis for the execution of the certificate.

(2) A copy of such list appropriately certified will be furnished to the Property Officer accountable for the property involved and will operate as a credit voucher discharging accountability.

(3) Property so certified will be turned over to a salvage officer (who may be designated by the chief of the technical service concerned) together with a copy of such list appropriately certified.

(4) Where property in the hands of cost-plus-a-fixed-fee contractor is disposed of pursuant to the provisions of this paragraph 740.1 the certification procedure prescribed in subparagraph (1) above will not be required. In such cases the credit voucher to the property account will consist of a copy of the list of property turned over to a salvage officer supported by the Contracting Officer's written advice to the Accountable Property Officer as prescribed in paragraph 1004 (a) of the War Department Industrial Property Accounting Manual or, if there is no question as to the responsibility of the contractor for condition of the property, supported by written order of the Contracting Officer directing transfer of the property to a salvage officer.

Property which cannot be certified under the foregoing provisions of this paragraph 740.1 will be held for report of survey or other action in accordance with applicable regulations. Upon completion of such action, the property involved will be turned over to a salvage officer who may be designated by the chief of the technical service concerned.

[¶740.2] *Current production scrap.*—Current production scrap, which is industrial scrap resulting from the fabricating or processing of raw materials (such as chips, cuttings, borings, and short ends of ferrous and nonferrous metals, clippings and cuttings from wool and cotton fabrics, residues from chemicals and plastics, rubber and treated fabric offal, glass, paper and lumber offal, damaged and unsuitable packing materials and containers), other than that disposed of by a cost-plus-a-fixed-fee contractor under contract provisions, will be turned over to a salvage officer (who may be designated by the chief of the technical service concerned), without the certification required under paragraph 740.1 and will be

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sold by negotiation or otherwise disposed of by such salvage officer under the direction of and pursuant to regulations established by the chief of the technical service concerned.

[¶741] *Disposition of nonrepairable military and miscellaneous property.*—Unless disposed of pursuant to Section II hereof, nonrepairable military and miscellaneous property will be turned over to a savlage officer in accordan with applicable regulations.

[¶742] *Disposition by salvage officer.*—All property turned over to a salvage officer in accordance with the provisions of paragraphs 740.1 and 741 will be reclaimed, sold by negotiation in existing condition or after any processing, or otherwise disposed of, in accordance with applicable regulations, which, in the case of property turned over to a savlage officer under paragraph 740.1, may be regulations prescribed by the chief of the technical service concerned, and approved by the Director, Production Division, Headquarters, Army Service Forces.

[¶743] *Donations.*—In addition to the methods of disposal provided in paragraph 742, any property turned over to a salvage officer may be donated, without reimbursement except for the costs of packing, handling, and transportation, to schools for use in connection with vocational training, or to any charitable or tax-supported institution, with the prior approval of the Director, Production Division, Headquarters, Army Service Forces, or, in the case of Army Air Forces, the Commanding General, Army Air Forces.

[*The paragraph following is 750*]

Section IV. Disposition of Surplus Serviceable Military and Miscellaneous Property

[¶750] *Disposition of surplus serviceable military property.*—In view of existing and potential shortages of materials, and to diminish so far as possible current demands upon the manufacturing and producing resources of the nation during the war period, it is important that serviceable property shall not be permitted to accumulate unreasonably and unnecessarily in the possession of the War Department. Accordingly in addition to the powers of disposition set forth in Section II hereof and pursuant to the First War Powers Act and Executive Order 9001, and any other relevant provisions of law, in order to facilitate the prosecution of the war by making unneeded serviceable military property available for any proper use, chiefs of technical services are authorized to declare serviceable military property surplus, with the approval of, or subject to regulations prescribed by, the Director, Stock Control Division, Headquarters, Army Service Forces, or the Commanding General, Army Air Forces, or his delegate or delegates, as to property of the Army Air Forces, when the property is of no immediate or definitely foreseeable use (1) in the function, activity, or project in connection with which it was acquired or accrued, and (2) to the technical service concerned; and to dispose of such property in the manner provided in this Section IV, notwithstanding the provisions of Section 14a of Chapter 440 of Title I of the Act of June 28, 1940 (54 Stat. 681, 10 U. S. C. 1262a); provided that all sales of military property, the original cost of which exceeded $2,000, made pursuant to paragraph 753 will be reported to the Chairmen of the Military Affairs Committees of the House and Senate within twenty-four hours after the contract is made.

[¶750.1] The chiefs of technical services may, with the approval of the Director, Stock Control Division, Headquarters, Army Service Forces, or of the Commanding General, Army Air Forces, or his delegate or delegates, as to property of the Army Air Forces, classify as industrial property and dispose of as such, any parts or components of items of military property which are held for issue or have been issued and which have been determined to be excess.

[¶750.2] Certain surplus military property will be unsuitable for nonmilitary use and should be dealt with as salvage. Chiefs of technical services will, therefore—

(1) Specify any types of military property included in a declaration of surplus which, in their judgment, are so specialized in design or restricted in utility as to render them unsuitable for nonmilitary use; and

(2) Direct that such specified types, together with any other property included in such declaration which is determined upon examination to be unsuitable for nonmilitary use in its existing condition, be dealt with as salvage.

Surplus military property so directed to be dealt with as salvage will be turned over to the local salvage officer for disposal. (See AR 35–6520, par. 5b (5)). The chief of the technical service declaring such property surplus is authorized to

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direct specifically the disposition to be made of such property by the local salvage officer; but if no such direction is given, the property will be disposed of in accordance with regulations applicable to the disposition of salvage.

[¶750.3] Military property declared surplus and not directed to be dealt with as salvage will be disposed of in accordance with paragraphs 752 and 753. (See AR 35–6520, par. 5b (4)).

[¶751] *Disposition of Surplus Miscellaneous Property.*—When miscellaneous property is found to be excess it will be circularized to such an extent as may be deemed desirable by the technical service concerned to effect expeditious redistribution by transfer within the War Department or in such other manner as is permitted under Section II of this Procurement Regulation No. 7. In the case of items as to which purchase responsibility has been assigned to a particular technical service, such circularization will include in every case reporting to such technical service. Items which are not so redistributed within a reasonable time will be deemed to be surplus, without further determination.

[¶752] *Report to Procurement Division, Treasury Department.*—Military property declared surplus and not disposed of under paragraph 750.2, miscellaneous property deemed to be surplus under paragraph 751, and Part 2 industrial property deemed to be surplus under paragraph 763.1, will be reported as surplus to Procurement Division, Treasury Department.

[¶752.1] *Procedure for reporting to Procurement Division, Treasury Department.*—Military property declared surplus which is in stock at depots and at installations below depot level will be reported by the depot to the Regional Office of Procurement Division, Treasury Department, for the region in which the depot is located. Installations below depot level will furnish the appropriate depot with information necessary for the reporting of military property declared surplus which is in stock below depot level. Military property declared surplus by Army Air Forces which is directed to be turned into disposal depots will be reported by the disposal depot to the Regional Office of Procurement Division, Treasury Department, for the region in which the disposal depot is located. Surplus miscellaneous property and surplus Part 2 industrial property will be reported to the Regional Office of Procurement Division, Treasury Department, for the region in which the property is located, by officers designated by the chiefs of the technical services. Reference is made to paragraph 613.5 of these Procurement Regulations for a list of Regional Offices of Procurement Division, Treasury Department. Ordinarily, Treasury Department Form 812 will be used for reporting, but where listings of property are available on tabulating machine forms or other forms which contain the essential information required by Form 812, the Regional Office of Procurement Division, Treasury Department, should be requested to accept such listings under cover of an executed Form 812 in order to avoid transcribing such listings. The authority reporting such property to Procurement Division, Treasury Department, will forward one copy of each such report direct to Production Division, Headquarters, Army Service Forces, or to Redistribution and Salvage, Branch, Resources Division, Office of Assistant Chief of Air Staff, MM&D Army Air Forces, in the case of property of Army Air Forces.

[¶752.2] *Disposition after reporting to Procurement Division.*—Property reported to Procurement Division, Treasury Department, will be withheld from sale or other disposition by the reporting authority, except withdrawal for further use by the War Department, until the Procurement Division, Treasury Department, issues delivery instructions or clears the property for sale by the reporting authority. Upon receipt of delivery instructions from Procurement Division, Treasury Department, delivery will be made in accordance therewith. Surplus property will be accepted by Procurement Division, Treasury Department "as is, where is". The reporting authority is not required to, and should not, repair, recondition, or process such property, nor assume the expense of transportation. Although Procurement Division, Treasury Department, or the consignee to whom delivery is directed, will ordinarily bear expenses of preparation for shipment, the reporting authority may prepare the property for shipment without reimbursement, if it so desires.

[¶752.3] *Clearance for sale.*—When Procurement Division, Treasury Department, is unable to accept or direct delivery within a reasonable period after the property has been reported, the reporting authority should request from the Regional Office of Procurement Division, Treasury Department, to which the property has been reported a clearance for sale by the reporting authority. Such request will be made in any case when delivery has not been accepted or directed by Procurement Division within 45 days after the property is reported, and earlier request should be made when space is not available for continued storage.

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If clearance is not granted by Procurement Division, Treasury Department, the reporting authority will notify Production Division, Headquarters, Army Service Forces, or Redistribution and Salvage Branch, Resources Division, Office of Assistant Chief of Air Staff, MM&D, Army Air Forces, in the case of property reported by a component of Army Air Forces, of the circumstances, and these Divisions will take appropriate action to obtain the necessary clearance. When property which has been reported to Procurement Division, Treasury Department, is returned to stock or transferred to another War Department Component for further use within the War Department, the Regional Office of Procurement Division, Treasury Department, to which the property was reported will be immediately notified of the withdrawal of the property. The authority reporting property to Procurement Division, Treasury Deparmtent, will be responsible for notifying installat'ons having custody of such property when clearance for sale is obtained.

[¶753] *Sale after clearance.*—Property which Procurement Division, Treasury Department, has cleared for sale may be sold by negotiated sale. The authority declaring the property surplus, in the case of military property, or in the case of miscellaneous property and Part 2 industrial property, the authority responsible for circularization, may direct that the property be sold by a particular officer or that it be sold in a particular manner. In the absence of such directions, sales will be made by the local salvage officer in accordance with regulations applicable to the sale of salvage, except that all documents relating to such sales will be clearly marked to indicate sale of surplus property.

[The paragraph following is 760]

Section V. Disposition of Serviceable Industrial Property

[¶760] *General.*—The prompt return to industry of all forms of property and materials not immediately needed by the War Department which are usable directly or indirectly in manufacturing or processing activities is necessary to the successful prosecution of the war and to the protection of the national economy against shortages of needed mateials. It is accordingly determined that all such property for which there is no immediate or definitely foreseeable need in connection with the function, activity, project, or industrial operation in connection with which it was acquired, and which is not disposed of in accordance with the preceding provisions of this Procurement Regulation No. 7, is not essential to the national defense, and that its sale or other disposition will promote the Army procurement program and will facilitate the prosecution of the war.

[¶760.1] Industrial property in the hands of a contractor of the War Department with whom a contract is in process of termination may be disposed of pursuant to any provision of such contract. Furthermore, such property may be disposed of pursuant to Section II of this Procurement Regulation No. 7 at any time prior to the transmittal of circularization lists under paragraph 761.3. During and after the circularization period specified in paragraph 761.4 industrial property may be disposed of as provided in paragraphs 762 and 763.

[¶760.2] For the purpose of carrying out the policies stated in paragraph 760, the chiefs of the technical services are directed to actively review the items of industrial property on hand and in process of manufacture, including industrial property title to which has in fact passed to the Government as the result of contract termination and which has not been disposed of pursuant to Section II of this Procurement Regulaton No. 7, to determine the essentiality of these items for the prosecution of approved functions, activities, projects, or industrial operations and to establish procedures for the sale or disposition of excess items in accordance with the following provisions of this Section V.

[¶761] *Circularization.*—Determinations will be made as frequently as practicable as to which items of serviceable industrial property on hand and in process of manufacture are excess, and such items, if not disposed of pursuant to Section II of this Procurement Regulation No. 7, will be listed in Circularization Lists for circularization in accordance with the following provisions of this paragraph 761. It is intended that determinations of excess will be made at the lowest practicable level within the technical service and that circularization will be effected contemporaneously within the technical service and among other technical services to the fullest extent practicable. The chiefs of the technical services will prescribe the intervals and levels at which determinations of excess will be made, and the levels from which circularization will be effected, with due regard for the nature of the property and the organization of the technical service.

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[¶761.1] *Circularization Lists.*—Circularization Lists will be divided into Part 1, Part 2, Part 3, Part 4, and Part X Property listed under the respective subdivisions will be referred to as "Part 1 property," "Part 2 property," and so forth.

(1) Part 1 will include all items of the nature set forth in paragraph 780.

(2) Part 2 will include all construction equipment of a standard type not so restricted in design as to render it unsuitable for nonmilitary use of a recurring nature. Such construction equipment includes, but is not limited to, drilling and boring equipment, earth and rock, including core drills, rock drills, churn drills, earth borers, and horizontal augers; power cranes and shovels, drag lines, buckets, stiff-leg derricks, and dredges; scrapers, maintainers, and graders; tractors, track-laying and wheel types; tractor-mounted construction equipment including angledozers, bulldozers, and power-control units; winches and hoists, contractors elevating; road brooms, concrete buggies and carts, bins, centerline marking equipment, road discs, ditchers, aggregate dryers, joint-and crack-filling machinery, road forms, form-tamping machines, mud jacks, portable snow loaders, tamping rollers, scarifiers, concrete towers, contractors' crawler wagons, and similar equipment; construction material mixers, spreaders, pavers, surfacers, finishers, tampers, vibrators, and related construction machinery; construction material processing equipment including asphalt plants and portable crushers.

(3) Part 3 will include all items not included in Parts 1, 2, or 4 which, in the judgment of the technical service, have a reasonably foreseeable use for industrial or military purposes or for civilian supply and which cannot practicably and expeditiously be redistributed without wide circularization.

(4) Part 4 will include controlled materials in the forms and shapes and in the minimum quantities set forth in paragraph 781, Part 4 will be subdivided into—

Part 4A, consisting of steel;

Part 4B, consisting of copper and copper base alloy; and

Part 4C, consisting of aluminum.

Circularization Lists of Part 4 property will be prepared substantially in the form set forth in paragraphs 781.1, 781.2 and 781.3.

(5) Part X will include all items not included in Parts 1, 2, 3, and 4.

[¶ 761.2] *Description and coding.*—(1) Circularization Lists will be on 8" x 10½" paper and will contain the following information—

(a) Name of issuing office together with the station identification number and appropriate letter symbol of the technical service concerned.

(b) Serial number of list. Each issuing office will serially number each list circularized beginning with the number 1.

(c) Date of circularization, which will be the date of transmittal required under paragraph 761.3.

(d) Date of reporting to War Production Board required under paragraph 763.2(1), in the case of Part 1 property.

(e) Serial number of items or lots. Items or lots will be serially numbered under each part of each list and, in the case of Part 1, under each section.

(f) Description of items or lots. Descriptions will comprise such information as would be required by the controlling technical service if it were procuring the property, including, when pertinent, name of manufacturer, manufacturer's catalog number if available, identification numbers, location, age, condition, quantity, and cost per unit if available.

(g) Specific instructions by which an interested agency may be guided in negotiating sale or transfer of property reported. Names, mail and telephone addresses of officers, authorized to carry on negotiations may be either included in each list circularized, or published in bulletin form by the technical service concerned to all recipients of the lists.

(2) Items of property at any one location, of a cost, estimated if not known, of less than $100 per item may be reported in Part X either singly or in mixed lots with such abbreviated description as would inform an interested agency of the general nature and utility of such property, subject to inspection or the furnishing of a more detailed description upon specific inquiry.

(3) For the purpose of convenient abbreviation in communications regarding property circularized, items may be identified by code, which will include in sequence, the station identification number and letter symbol of the issuing office, serial number of list, part and section of list, serial number of item. For example, a particular heat exchanger listed as the second item in Part 1 of the third list circularized by an office of Ordnance Department having station identification number "123" would be identified as "123–Ord–3–1–BQ–2."

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[¶761.3] *Transmittal of Lists.*—(1) Circularization will be accomplished by transmitting copies of Circularization Lists as follows:

(a) Parts 1, 2, and 3, to the offices listed in paragraph 782.

(b) Part 4, to Production Division, Headquarters, Army Service Forces (3 copies) and to the Regional Office of War Production Board for the region in which the property is located. The addresses of such Regional Offices and the territories within their jurisdiction are set forth in paragraph 783.

(c) Part X, to Production Division, Headquarters, Army Service Forces, to procurement offices of other technical services at such levels and within such geographical areas as the technical service concerned deems desirable, and to the Regional Offices of War Production Board and Procurement Division, Treasury Department, for the regions in which the property is located.

(2) Transmittal of Circularization Lists to Procurement Division, Treasury Department, as required under this paragraph 761.3 will not constitute a reporting as surplus of the items comprised therein.

[¶761.4] *Circularization period.*—The period of 20 days after transmittal of copies of Circularization Lists will be referred to as the "circularization period."

[¶762] *Disposition during circularization period.*—Before the termination of the circularization period, the technical service concerned will determine what property included in Circularization Lists should be retained for present or definitely foreseeable needs within such service for military or industrial purposes and will withdraw such property from availability. Property which is not so withdrawn may be disposed of during the circularization period in accordance with the provisions of Section II of this Procurement Regulation No. 7 upon request of an interested service or agency made prior to the expiration of the circularization period. The Redistribution and Salvage Officer designated by the Chief of Engineers is specifically charged with acquiring items of Part 2 property not withdrawn under the first sentence of this paragraph, which are suiable for troop use or tactical operations.

[¶763] *Disposition after circularization period.*

[¶763.1] *Disposition of Part 2 property upon termination of circularization period.*—Upon the termination of the circularization period, Part 2 property which has not been withdrawn or disposed of under paragraph 762 will be deemed to be surplus and will be promptly reported as surplus to the Regional Office of Procurement Division, Treasury Department, for the region in which the property is located, in the manner provided in paragraph 752, and will be disposed of in accordance with the provisions of paragraph 753.

[¶763.2] *Disposition of Part 1 property upon termination of circularization period.*—(1) Upon termination of the circularization period, Part 1 property which has not been withdrawn or disposed of under paragraph 762 will be promptly reported to Redistribution Division, War Production Board, Washington, D. C. Such report may be made in the form of either the original Circularization List with physical deletion of items withdrawn or disposed of under paragraph 762, or the original Circularization List with a memorandum of deletions, or a new list including items not withdrawn or disposed of under paragraph 762. Twenty copies of this report will be transmitted to Redistribution Division, War Production Board.

(2) Part 1 property reported under this paragraph 763.2 may be:

(a) Disposed of in accordance with the provisions of Section II of this Procurement Regulation No. 7.

(b) Sold to any purchaser. Items so sold will be deemed to be surplus.

(c) Delivered to or upon the order of Procurement Division, Treasury Department, upon request of that Division. Items so delivered will be deemed to be surplus.

(d) Withdrawn, prior to disposal, for an immediate or definitely foreseeable use within the technical service concerned.

(3) After the report of Part 1 properly under this paragraph 763.2 and prior to the expiration of the second calendar month following the month in which such property is reported, the disposition or withdrawal of any items thereof will be subject to the specific authorization of War Production Board. Such authorization will be obtained in the following manner:

(a) Application will be made by letter, telegram, or telephone to Redistribution Division, War Production Board, Washington, D. C. (telephone Republic 7500, extension 72784 or 73747). Redistribution Division will authorize by telegram in response to a telegraphic request, or by telephone when requested, and will confirm by mail. Otherwise authorization will be mailed.

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(b) Application will contain the following information:

(i) State whether property is to be sold, leased, transferred, or withdrawn.
(ii) Give name and code reference of item and quantity to be disposed of or withdrawn.
(iii) In case of transfer, give name of War Department component or other government agency to which transfer will be made. In case of sale or lease give name and address of buyer or lessee.
(iv) Where authorization is requested for sale or lease (but not transfer or withdrawal), briefly state the purpose for which the property is being acquired by the buyer or lease (for example, "Resale," "Production of aviation gasoline," "Clothing manufacture," "Electric Utility," "Railroad," etc.)

(c) It should be noted that certain items of Part 1 property are subject to War Production Board limitation orders which restrict the uses for which such items may be sold, purchased, or leased, and, in some instances, require specific authorization to the owner for disposal, or specific authorization to the buyer or lessee for acquisition, or both. Authorization given by Redistribution Division upon application made in accordance with (a) and (b) above will satisfy the requirements imposed upon the seller by these orders and no other application need be made by the authority responsible for disposal. Where these orders require authorization to the buyer or lessee for acquisition, however, it will be necessary for the buyer to obtain such authorization through usual War Production Board channels, in addition to the authorization obtained by the authority responsible for disposal under (1) and (2) above.

(d) If for any reason the authorized withdrawal or disposal is not consummated, the authorization letter will be returned to Redistribution Division, War Production Board, with a notation on the back "disposal not consummated."

(e) Suggested forms of letter and telegraphic applications are set forth in paragraphs 784 and 785 respectively.

[¶763.3] *Disposition of Part 3 property and Part X property upon termination of circularization period.*—Upon the termination of the circularization period, Part 3 and Part X property may be withdrawn or disposed of in the manner provided in paragraph 763.2 (2).

[¶763.4] *Disposition of Part 4 property upon termination of circularization period.*—(1) Upon the termination of the circularization period, the Regional Office of War Production Board to which Part 4 property has been reported in accordance with paragraph 761.3 (1) (b) will be notified of items thereof which have been withdrawn or disposed of under paragraph 761, and the remaining items may be withdrawn or disposed of in the manner provided in paragraph 763.2 (2). (2) Any Part 4 property which has been reported to a Regional Office of War Production Board while in the ownership, custody, or possession of a contractor, as excess, whether so reported by the contractor or the technical service concerned, may be disposed of by the technical service concerned, upon taking title or possession, in the manner provided in paragraph 763.2 (2) without further circularization or reporting. (3) The technical service concerned will promptly notify the appropriate Regional Office of War Production Board of the disposal of Part 4 property under this paragraph 763.4, in order that War Production Board may maintain current and accurate listings. (4) Under the procedures established in this paragraph 763.4 and paragraph 761.3, current listings of all excess Part 4 property will be maintained at Regional Offices of War Production Board and may be examined by any War Department procurement agency. (5) Part 4 property listed with Regional Offices of War Production Board may be purchased "ex quota"; that is, without charge against the buyers CMP allotment, upon specific authorization from War Production Board. Where sale is made against CMP allotment, notification only, in accordance with subparagraph (3) of this paragraph 763.4 is required.

[¶763.5] *Disposition of slow-moving items.*—Excess industrial property which has been circularized under this Section V and has not been withdrawn or disposed of within a reasonable time (to be fixed by the chief of the technical service concerned, with due regard for the nature of the property) after (1) the expiration of the second calendar month after the month of reporting under paragraph 763.2 (1), in the case of Part 1 property, (2) the clearance of items by Procurement Division, Treasury Department, in the case of Part 2 property, and (3) the termination of the circularization period, in the case of Part 3, 4, and X property, will be turned over to a salvage officer in the manner provided for nonrepairable property in paragraph 740.1.

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[¶764] *Sales.*—Sales of industrial property under this Section V will be made by negotiation under regulations prescribed by the responsible technical service and which will assure that the negotiating officer will obtain such degree of competition, by inquiry or otherwise, as is practicable in the circumstances, and consistent with economy, efficiency and the expeditious completion of the proposed sale, and that the negotiating officer will make every effort to effect the sale in such manner and for such further uses as will most effectively facilitate the prosecution of the war.

[¶765] *Deviation from regulations in exceptional cases.*—When adherence to the regulations prescribed in this Section V would impede the expeditious return of unneeded industrial property to use in the war effort, the Director, Production Division, Headquarters, Army Service Forces, is authorized to permit deviation therefrom with respect to the disposition of classes or particular items of industrial property. Applications under this paragraph will include the following:

(1) A description of the class of items, or in the case of particular items, a reference to the list in which the items have been listed, or a description of the items in accordance with paragraph 761.2 (1) (f) if they have not been listed.

(2) A statement of the circumstances indicating the desirability of deviation from the procedures established in this Section V. Bulletins will be issued from time to time which will set forth classes of property in respect of which deviation will be permitted.

[¶766] *Industrial property peculiar to Army Air Forces.*—This Section V does not apply to industrial property peculiar to aircraft production to the extent that any of the provisions hereof may be inconsistent with procedures established for the redistribution of such property by or under the direction of the Aircraft Resources Control Office of the Aircraft Production Board.

[¶780] *Items to be included in lists of Part 1 property.*

Section	Item	Type and size limitations
AA	Power boilers	All types, 100 lbs. design pressure and up, except: boilers for locomotive use.
BA	Engines, internal combustion	All gasoline, gas and Diesel types in all sizes except: engines for marine and aircraft propulsion.
BB	Turbines	All types and sizes, except: turbines for marine propulsion.
BC	Compressors and dry vacuum pumps.	All types and sizes, except: compressors for air conditioning, ice making, food and beverage cooling, processing, preservation and cold storage systems; and compressors as part of air braking systems.
BD	Pumps industrial	All types and sizes, except: measuring and dispensing; reciprocating compressors and dry vacuum pumps (include under section BJ). Include: Cellar injectors and drainers; small water system pumping units and sets complete with tanks.
BE	Conveying machinery	All types and sizes, except: belting; farm machinery; power and hand lift trucks, cranes, hoists and platform elevators (include under sections BF or BG); construction machinery (include under Part 2); cars and car dumpers; steel mill tables, sintering conveyors and metal pig conveyors.
BF	Cranes and hoists	All types and sizes of: (a) Overhead electric traveling cranes; (b) Rotary or Whirley cranes; (c) Gantry cranes; (d) Locomotive cranes; (e) Hand and electric hoists.
BG	Trucks and tractors, industrial	All industrial types and sizes for intra-plant use.
BH	Fans, blowers, and exhausters	Following types and sizes only: (a) Mechanical-driven fans, forced or induced draft, all types and sizes; (b) Heavy process ventilating fans, 24" inlet and larger; (c) Planing-mill exhaust fans, 15" inlet and larger. (Include high-pressure blowers, compressors, exhausters, and vacuum pumps under section BJ.)
BJ	High-pressure blowers, compressors, exhausters, and vacuum pumps.	Rotative type, for pressure differentials of 1¼ pounds and up. Include: diesel superchargers and scavengers. Exclude: blowers for shipboard use other than diesel superchargers and scavengers; centrifugal refrigeration compressors; aircraft-engine superchargers.
BK	Mechanical power-transmission equipment.	All open and enclosed gearing and mechanical drives for transmitting more than ¼ h. p., except: marine propulsion gears; gears built into turbines; types used on household, manually powered, automotive or farm machinery. Include: speed reducers; unmounted herringbone gears, 6" and larger; unmounted worm gears, fine and coarse pitch; unmounted spur gears, up to 6" diameter, 20 diametrical pitch and finer.
BM	Coal stokers	All types, 36 feet of grate area and up.
BN	Flexible couplings	Bushed, spring and gear types, all sizes.

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Section	Item	Type and size limitations
BQ	Heat exchangers	All equipment or apparatus (other than direct fired or direct contact involving physical mixing of the fluids) designed for the transference or exchange of heat between two or more fluids (liquids, gases or vapors).
BR	Plastics presses	All types and sizes of extrusion, injection and molding presses.
BT	Pressure vessels	All sealed metallic vessels or shells subjected to internal or external pressure designed for the purpose of retaining one or more fluids (liquids, gases or vapors). Exclude: direct fired vessels such as locomotives or boilers (include power boilers under AA); vessels for containing only water under pressure for domestic supply, or those containing air, the compression of which serves only as a cushion as in airlift pumping systems; vessels for storage or transportation designed for pressure below 30 pounds p.s.i. and vessels of less than 30 cubic feet in volume, regardless of pressure; vessels designed as heat exchangers of the surface type or enclosures therefor (include under BQ); vessels designed for cooking foodstuffs or used directly in preparing foodstuffs for packaging.
CA	Generators, motor generator sets, power frequency changers.	All electric types, integral sizes, except: internal combustion engine mounted accessories; generators for aircraft. (Include motor generators for plating and anodizing under section EC.)
CB	Generator sets, electric	Internal combustion, steam and hydraulic drive, all types and size, except: marine propulsion.
CC	Switchgear, circuit breakers and transformers.	Following types and sizes only: (a) Electric meters and instruments, switchboard and portable type, including: indicating, integrating, curve drawing and recording voltmeters, ammeters, wattmeters, KVAR meters, frequency meters and power factor meters, and synchronizing devices, balancing devices, and load analyzers; (b) Switchgear and apparatus for power control, indoor and outdoor; including manually operated, mechanically operated or automatically controlled air break, air blast and oil break switches; (c) Transformers, power and distribution, instrument, series lighting and regulating; and auto transformers 100 KVA and up.
CD	Motor and motor control equipment, electric.	Following types and sizes only: (a) Shipboard type motors and controls; integral sizes; (b) Fractional horsepower motors; exclude: shipboard and aircraft type, and appliance type AC induction motors; (c) One to 200 HP totally inclosed, explosion proof, industrial type motors and controls; (d) Mill and crane type motors and controls, integral sizes.
DA	Floor finishing equipment	All types and sizes.
DB	Pelleting presses	All types and sizes.
EA	Foundry equipment	All types and sizes of electric metal melting furnaces.
EB	Heat treating equipment	All types and sizes of heat treating furnaces and their accompanying instruments.
EC	Plating and anodizing equipment.	Following types and sizes only: (a) Motor generator sets for plating and anodizing, 6 to 50 volts, 2000 amperes and up; (b) Rectifiers for plating and anodizing, 6 to 50 volts, 400 amperes and up.
ED	Welding and cutting equipment.	Following types only: (a) Gasoline engine driven arc welding machines; (b) Resistance welding equipment; (c) Bronze welding rod for gas welding; (d) Flame cutting machines.
KA	Railroad locomotives and rolling stock.	All types and sizes.
PA	Industrial type instruments	Following types and sizes only: (a) Pyrometers, multi-voltmeter or potentiometer; all nonportable indicting, recording or controlling types. (b) Pressure-filled tube system temperature instruments: indicating, recording or controlling types: exclude: bi-metallic type temperature measuring instruments; (c) Differential flow and liquid level instruments: indicating, recording, integrating or controlling fluid manometer or bellows type; (d) Liquid level float instruments: indicating, recording or controlling types having an external float chamber used on industrial process applications; (e) Industrial thermometers having scale length commonly designated as 7", 9", 10", or 12" and any submarine type 5";

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Section	Item	Type and size limitations
PA	Industrial type instruments	Following types and sizes only—Continued (f) Pressure gauges: circular dial pressure or vacuum types; (g) Control valves: diaphragm operated pneumatic or hydraulic types; (h) Regulators: self-operated valves used for controlling temperature, flow or liquid level, and weight loaded type valves used to control pressure; (i) Control valves: globe type with inner portion automatically positioned by pneumatic or hydraulic motive power, designed for use with industrial type instruments; (j) Liquid level controllers: float cage, external ball float or displacement type normally used for control of liquid level in industrial type processes.
RA	Fire extinguishers	All carbon dioxide types (portable, wheeled and systems). Include: fire extinguishers using extinguishing agents which are converted into carbon dioxide when expelled.
VA	Unit heaters	All industrial types.
VB	Oxygen equipment	Medical and safety types.
VC	Guard weapons and ammunition.	All types.
VD	Valves	Industrial, marine, hydrant, sluice gate, drilling, flow line, cocks, etc. (but not refrigeration, aircraft, automotive, instrument, regulating and control valves) including (a) steel; all types, (b) iron: safety and relief and all other iron body, and (c) bronze safety and relief, compressed gas and cylinder and all others 100 lbs. W. S. P. and over.
VE	Pipe fittings	All standard size steel fittings for industrial work. Exclude fittings for low pressure steam or water heating or plumbing work.
VF	Stud bolts and nuts	¼" to 1" diameter, ¾" to 7" long, American Standard thread, carbon steel 70,000 p. s. i. min., alloy steel 125,000 p. s. i. min., in lots of 25 or more of a single item.
ZA	Machine tools	Following types, makes, and sizes only: (a) Forging hammers: All sizes of steam drop hammers, board drop hammers, and forging hammers manufactured by Erie Foundry Co. or Chambersburg Engineering Co. since 1935. (b) Forging presses: Mechanical and hydraulic types and upsetters, capacity 500 tons and up, manufactured since 1935 by the following companies: Ajax Manufacturing Company. Birdsboro Steel Fdry. & Mach. Co. E. W. Bliss Company. Baldwin Southward Division. Clearing Machine Corp. Hydraulic Press Mfg. Co. Lake Erie Engineering Corp. National Machinery Co. United Engineering & Fdry. Watson-Stillman Co. Williams, White & Company. R. D. Wood Company. Fulton Iron Works. (c) All types of Fellows Gear Co. machines. (d) Heald and Ex-Cell-O precision boring machines. (e) Way and special horizontal and vertical drilling machines. (f) All types of spur and helical gear grinders. (g) Internal centerless grinders. (h) Lathes, 30-inch swing and larger. (i) Planers, double-housing and open side, 72-inch and wider. (j) Jig borers, 45-inch and larger table travel. (k) Thread grinders, all makes, types, and sizes.
ZB	Precision instruments and gages	Following types only: (a) Universal testing machines; (b) Rockwell hardness testers; (c) Brinell testers and microscopes; (d) Optical comparators; (e) Toolmakers microscopes; (f) Measuring machines; (g) Supermicrometers; (h) Vernier Tools; (i) Scales; (j) Micrometers.

NOTES:
(1) Where integral sets cannot practicably be disposed of piecemeal, they will be included under major classification and components will not be separately listed under other classifications.
(2) Include major repair parts with equipment to which they pertain.

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[¶781] *Items to be included in lists of Part 4 property.*

Forms and Shapes

Part 4A—CARBON AND ALLOY STEEL:	*Minimum quantity per item of a single size and grade*
Carbon Steel:	
Bars, cold finished	2,000 pounds.
Bars, hot rolled	
Ingots, billets, blooms, slabs, tube rounds, skepl and sheet and tin bar	
Pipe (new only)	
Plates	
Sheets and strip	
Structural shapes and piling	
Tin plate, terne plate, and tin mill black plate	
Wire rods, wire .0475 inch diameter and up, and other wire products	
Tubing, 1½ inch diameter and up (new only)	
Tubing under 1½ inch diameter (new only)	1,000 feet.
Wire under .0475 inch diameter	500 pounds.
All tool steel	100 pounds.
Alloy Steel:	
Bars, cold finished	2,000 pounds.
Bars, hot rolled	
Ingots, billets, blooms, slabs, tube rounds, sheet bar	
Pipe (new only)	
Plates and structural shapes	
Sheets and strip	
Wire rods, wire .0475 inch diameter and up, and other wire products	2,000 pounds.
Tubing 1½ inch diameter and up	
Tubing under 1½ inch diameter	1,000 feet.
Wire under .0475 inch diameter	500 pounds.
All stainless steel	
All tool steel	100 pounds.
Part 4B—COPPER AND COPPER BASE ALLOY:	
Brass Mill Copper Base Alloy Products:	500 pounds.
Sheet and strip	
Rods, bars, and wire (including extruded shapes, not including slugs)	
Tubing and Pipe	
Brass Mill Copper Products:	
Plate, sheets, and strip	
Rods, bars, and extruded shapes (excluding wire bars and ingots bars)	
Tube and pipe	
Wire Mill Copper Products:	
Wire and cable (including insulated wire and cable)	
Foundry Copper and Copper Base Alloy Products:	
Castings	
Part 4C—ALUMINUM:	300 pounds.
Rod, bar, wire, and cable	
Forgings, pressings, and impact extrusions	
Castings	
Shapes, rolled or extruded	
Sheet, strip, plate, and foil	
Tubing	
Ingot and powder	
Rivets	

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NOTE.—Smaller quantities than those above listed, but not less than the following, may be included in Part 4, if desired by the Technical Service concerned:

Forms and Shapes—Continued

Part 4C—ALUMINUM—Continued	*Minimum quantity per item of a single size and grade*
Carbon Steel:	
Structural and plates	500 pounds.
Bar, sheet and strip, pipe and tube, and wire	100 pounds.
Tool steel	25 pounds.
Alloy Steel:	
Tool steel	25 pounds.
All other	100 pounds.
Copper and Copper Base Alloy	100 pounds.
Aluminum	100 pounds.

WAR DEPARTMENT

Headquarters, Army Service Forces

WASHINGTON, D. C.

Spicy Date: *24 June '43.*

Memorandum for: Director, Production Division.

Subject: Assignment of Control Approval Symbol.

1. The following report submitted by your office for clearance is approved in accordance with ASF Circular No. 17, April 13, 1943:

REDISTRIBUTION AND SALVAGE REPORT

2. The following symbol is assigned to the above report and should be inscribed in the upper right-hand corner of the first page:

CONTROL APPROVAL SYMBOL UPT–17

3. The words "Control Approval Symbol" as well as the symbol itself must appear in the upper right corner of the first page of the report. If the directive requires a report for which no standard form is required, the directive must specify the control approval symbol that is to appear on the report. It is not necessary to refer to the symbol in the requiring directive, if the directive requires submission of a report form on which the symbol has been reproduced.

4. It is requested that the following material be furnished this office as soon as the report has actually been requested of the agencies that are to prepare it:

a. One copy of the directive calling for the submission of the report and giving instructions for its preparation.

b. One blank copy of the report inscribed with the Control Approval Symbol.

5. Any major changes or revisions in the report as approved or in the instructions for its preparation should be resubmitted for clearance prior to issue.

By command of Lieutenant General SOMERVELL:

C. F. ROBINSON,
Brigadier General, G. S. C.,
Director, Control Division.

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[¶781.1] *Form of Circularization List for Part 4A property.*

REPORT OF EXCESS *STEEL* PART 4A
REPORTING STATION.....
STATION NO..... ADDRESS.....
.....
OFFICER IN CHARGE OF DISPOSITION.....

LIST NO..... PAGE.....
DATE TRANSMITTED TO WPB.....
REPORTED TO.....
(Regional Office, WPB)
LOCATION OF PROPERTY.....
.....

(On additional pages show Part 4A, list number and page number only)

Code No. (1)	Pieces	Total weight (lbs.)	Size	Length (L) or coil (C)	Form and shape	AISE, NE, SAE WD, or brand	Finish (2)	Physical properties (3)	Clean or rusty

(1) Show station, service, list and part code at top of column (e. g. 123-Ord-4A-12-), followed by item numbers only.
(2) (3) Use Symbols: CDG&P-Cold Drawn Ground, Polished (2); HRA&P-Hot Rolled Annealed, Pickled (2); HRT&P-Hot Rolled Turned, Polished (2); HR-Hot Rolled (2); HRA-Hot Rolled Annealed (2); CR-Cold Rolled (2); CD-Cold Drawn (2); FQ-Forging Quality (3); HT-Heat Treated (3).

[¶781.2] *Form of Circularization List for Part 4B property.*

REPORT OF EXCESS *COPPER AND COPPER BASE ALLOY* PART 4B
REPORTING STATION.....
STATION NO..... ADDRESS.....
.....
OFFICER IN CHARGE OF DISPOSITION.....

LIST NO..... PAGE.....
DATE TRANSMITTED TO WPB.....
REPORTED TO.....
(Regional Office, WPB)
LOCATION OF PROPERTY.....
.....

(On additional pages show Part 4B, list number and page number only)

Lgth (L) or coil (C)	Item and specification	Pieces	Total weight (lbs.)	Size	Code No. (1)	Form	Temper	Original manufacturer

(1) Show station, service, list and part code at top of column (e. g., 123-Ord-4B-12-), followed by item number only.

[¶781.3] *Form of Circularization List for Part 4C property.*

REPORT OF EXCESS *ALUMINUM PART* 4C
REPORTING STATION.....
STATION NO..... ADDRESS.....
.....
OFFICER IN CHARGE OF DISPOSITION.....

LIST NO..... PAGE.....
DATE TRANSMITTED TO WPB.....
REPORTED TO.....
(Regional Officer WPB)
LOCATION OF PROPERTY.....
.....

(On additional pages show Part 4C, list number and page number only)

Code No. (1)	Alloy & temper	Pieces	Total weight (lbs.)	Dimensions and/or standard extrusion die No.	Form & shape	Specification	Original manufacturer

(1) Show station, service, list and part code at top of column (e. g., 123-Ord-4C-12-), followed by item numbers only.

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[¶782] *Offices to receive Part 1, 2, and 3 Circularization Lists.*

	Number of copies	
	Parts 1 and 3	Part 2
Redistribution and Salvage Branch, Production Division, Headquarters, Army Service Forces, Room 4-D-600, The Pentagon, Washington 25, D. C.	2	2
OFFICE OF THE CHIEF OF ORDNANCE		
Redistribution and Salvage Officer, Office of the Chief of Ordnance, Room 2-E-424, The Pentagon, Washington 25, D. C	3	1
Birmingham Ordnance District, 700 Frank Nelson Building, Birmingham, Alabama	1	
Boston Ordnance District, Room 1501-1516 Federal Street, Boston, Massachusetts	1	
Chicago Ordnance District, 38 South Dearborn Street, Chicago, Illinois	1	
Cincinnati Ordnance District, The Big Four Building, Cincinnati, Ohio	1	
Cleveland Ordnance District, 1006 Terminal Tower Building, Cleveland, Ohio	1	
Detroit Ordnance District, 1832 National Bank Building, Detroit, Michigan	1	
New York Ordnance District, Room 1815, 80 Broadway, New York, New York	1	
Philadelphia Ordnance District, 150 South Broad Street, Philadelphia, Pennsylvania	1	
Pittsburgh Ordnance District, 1202 Chamber of Commerce Building, Pittsburgh, Pennsylvania	1	
Rochester Ordnance District, 1238 Mercantile Building, Rochester, New York	1	
San Francisco Ordnance District, 402 Empire Hotel, San Francisco, California	1	
St. Louis Ordnance District, 3663 Lindell Blvd., St. Louis, Missouri	1	
Springfield Ordnance District, 95 State Street, Springfield, Massachusetts	1	
Commanding Officer, Frankford Arsenal, Philadelphia, Pennsylvania	1	
Commanding Officer, Picatinny Arsenal, Dover, New Jersey	1	
Commanding Officer, Redstone Arsenal, Huntsville, Alabama	1	
Commanding General, Rock Island Arsenal, Rock Island, Illinois	1	
Commanding Officer, Springfield Armory, Springfield, Massachusetts	1	
Commanding Officer, Watertown Arsenal, Watertown, Massachusetts	1	
Commanding General, Watervliet Arsenal, Watervliet, New Jersey	1	
Tank-Automotive Center, Union Guardian Building, Detroit, Michigan	1	
Field Director of Ammunition Plants, 3637 Lindell Blvd., St. Louis, Missouri	1	
Small Arms Ammunition Sub Office, N. W. Ayer Building, West Washington Square, Philadelphia, Pennsylvania	1	
OFFICE OF THE CHIEF OF ENGINEERS		
Redistribution and Salvage Officer, Office of the Chief of Engineers, Room 6257, New War Building, 21st & Virginia Avenue NW, Washington 25, D. C		
Division Engineer, Great Lakes Division, McCormick Building, 332 South Michigan Avenue, Chicago, Illinois		
Division Engineer, Lower Mississippi Valley Division, P. O. Box 80, Vicksburg, Mississippi		
Division Engineer, Middle Atlantic Division, Room 909, 101 East Fa Street, Baltimore 2, Maryland		
Division Engineer, Missouri River Division, Farm Credit Building, Douglas, Omaha 1, Nebraska		
Division Engineer, New England Division, 75 Federal Street, Boston 10 chusetts		
Division Engineer, North Atlantic Division, 21st Floor, 270 Broadway York 7, New York		
Division Engineer, Northwest Division, 114, 12 128th Street, Edmon berta, Canada		
Division Engineer, Ohio River Division, 1120 Huntington Columbus 16, Ohio		
Division Engineer, Pacific Division, 222 South West T City 1, Utah		
Division Engineer, South Atlantic Division, 50 V Georgia		
Division Engineer, S stern Division, Street, Dallas 2, T		
Division Engineer issippi Vall ing, 915 Olive S		
Area Engineer,		
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	Number of copies	
	Parts 1 and 3	Part 2
OFFICE OF THE CHIEF OF CHEMICAL WARFARE SERVICE—continued		
Commanding Officer, Boston CW Procurement District, Room 500, 75 Federal Street, Boston, Massachusetts	1	
Commanding Officer, Chicago CW Procurement District, Room 1506, Civic Opera Building, 20 North Wacker Drive, Chicago, Illinois	1	
Commanding Officer, Dallas CW Procurement District, Mercantile Bank Building, 106 Ervay Street, Dallas, Texas	1	
Commanding Officer, Pittsburgh CW Procurement District, American Bank Building, Sixth Avenue & Grant Street, Pittsburgh, Pennsylvania	1	
Commanding Officer, New York CW Procurement District, 292 Madison Avenue, New York, New York	1	
Commanding Officer, San Francisco CW Procurement District, Room 201, 1355 Market Street, San Francisco, California	1	
Deputy Commanding Officer, Atlanta Sub-Office, Dallas CW Procurement District, 430 West Peachtree Street N. W. Atlanta, Georgia	1	
OFFICE OF THE CHIEF OF TRANSPORTATION		
Redistribution and Salvage Officer, Office of the Chief of Transportation, Room 1-E-680, The Pentagon, Washington 25, D. C	1	1
Commanding Officer, Holding and Reconsignment Point, Attention: Transportation Corps Supply Officer, Voorheesville, New York	1	
Commanding Officer, Holding and Reconsignment Point, Attention: Transportation Corps Supply Officer, Marietta, Pennsylvania	1	
Commanding Officer, Holding and Reconsignment Point, Attention: Transportation Corps Supply Officer, Montgomery, Alabama	1	
Commanding Officer, Holding and Reconsignment Point, Attention: Transportation Corps Supply Officer, Lathrop, California	1	
Production Division, Transportation Corps, 6th & Sycamore Streets, Cincinnati, Ohio	1	
Procurement Division, Transportation Corps, 6th & Sycamore Streets, Cincinnati, Ohio	1	
OFFICE OF THE CHIEF SIGNAL OFFICER		
Redistribution and Salvage Officer, Office of the Chief Signal Officer, Room 2-E-332, The Pentagon, Washington 25, D. C	6	1
OFFICE OF THE QUARTERMASTER GENERAL		
Redistribution and Salvage Officer, Office of the Quartermaster General, Room 1049, Temporary A Building, 2nd & T Streets SW., Washington 25, D. C	1	1
OFFICE OF THE SURGEON GENERAL		
Redistribution and Salvage Officer, Office of the Surgeon General, Room 512-B, Maritime Building, 1818 H Street NW., Washington 25, D. C	2	1
ARMY AIR FORCES		
Redistribution and Salvage Officer, Office, Asst. Chief Air Staff, M. M. & D., Army Air Forces, Room 5-C867; The Pentagon, Washington 25, D. C	1	1
Redistribution and Salvage Officer, Matériel Command, Wright Field, Dayton, Ohio	3	1
District Supervisor, Eastern Procurement District, Attention: Redistribution and Salvage Officer, 67 Broad Street, New York, New York	1	
District Supervisor, Central Procurement District, Attention: Redistribution and Salvage Officer, 8505 West Warren Avenue, Detroit, Michigan	1	
District Supervisor, Midwestern Procurement District, Attention: Redistribution and Salvage Officer, Municipal Airport, P. O. Box 117, Wichita, Kansas	1	
District Supervisor, Western Procurement District, Attention: Redistribution and Salvage Officer, 3636 Beverly Blvd., Los Angeles, California	1	
District Supervisor, Midcentral Procurement District, Attention: Redistribution and Salvage Officer, 111 West Jackson Blvd., Chicago, Illinois	1	
District Supervisor, Southeastern Procurement District, Attention: Redistribution and Salvage Officer, 86 Edgewood Avenue, NE., Atlanta, Georgia	1	
Redistribution and Salvage Officer, Air Service Command, Patterson Field, Fairfield, Ohio	11	1
NAVY DEPARTMENT		
Office of Procurement and Matériel, Navy Department, Attention: Deputy Chief in Charge of Procurement, Room 2005-A Main Navy Building, Washington, D. C	3	3
TREASURY DEPARTMENT		
Chief, Federal Property Utilization Branch, Procurement Division, Treasury Department, Seventh and D Streets SW., Washington, D. C	1	

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	Number of copies	
	Parts 1 and 3	Part 2
WAR PRODUCTION BOARD		
Redistribution Division, War Production Board, New Municipal Building, 3d & Indiana Avenue NW., Washington, D. C., Part 3 only	10	

[¶783] *Regional Offices of War Production Board—*

REGION AND REGIONAL OFFICE

Region I—Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island: Regional Manager, Redistribution Division, War Production Board, 17 Court Street, Boston, Massachusetts.

Region II—New York, Northern New Jersey (Sussex, Passaic, Bergen, Warren, Morris, Essex, Hudson, Hunterdon, Somerset, Union, Middlesex, and Monmouth counties): Regional Manager, Redistribution Division, War Production Board, Empire State Building, New York City.

Region III—Maryland, Virginia, Delaware, Eastern Pennsylvania (Tioga, Bradford, Susquehanna, Wayne, Lycoming, Sullivan, Wyoming, Pike, Union, Northumberland, Montour, Columbia, Luzerne, Lackawanna, Monroe, Mifflin, Juniata, Perry, Snyder, Cumberland, Adams, Dauphin, Schuylkill, York, Lebanon, Lancaster, Berks, Lehigh, Northampton, Chester, Delaware, Montgomery, and Bucks counties), Southern New Jersey (Mercer, Ocean, Burlington, Camden, Gloucester, Atlantic, Salem, Cumberland, and Cape May counties): Regional Manager, Redistribution Division, War Production Board, 1617 Pennsylvania Blvd., Philadelphia, Pa.

Region IV—Tennessee, North Carolina, Mississippi, Alabama, Georgia, South Carolina, Florida: Regional Manager, Redistribution Division, War Production Board, Candler Building, Atlanta, Georgia.

Region V—Kentucky, West Virginia, Ohio (except Lucas county), Western Pennsylvania (Erie, Crawford, Warren, McKean, Potter, Mercer, Venango, Forest, Elk, Cameron, Clinton, Lawrence, Butler, Clarion, Armstrong, Jefferson, Indiana, Clearfield, Centre, Beaver, Allegheny, Westmoreland, Cambria, Blair, Huntington, Washington, Greene, Fayette, Somerset, Bedford, Fulton and Franklin counties): Regional Manager, Facilities Department, War Production Board, Union Commerce Bldg., Cleveland, Ohio.

Region VI—Indiana, Illinois, Iowa, Wisconsin, Upper Peninsula of Michigan (Gogebic, Ontonagon, Houghton, Keweenaw, Baraga, Iron, Marquette, Dickinson, Menominee, Delta, Alger and Schoolcraft counties only): Regional Manager, Redistribution Division, War Production Board, 226 West Jackson Blvd., Chicago, Illinois.

Region VII—Arkansas, Missouri, Kansas, Nebraska: Regional Manager, Facilities Department, War Production Board, Mutual Interstate Bldg., Kansas City, Missouri.

Region VIII—Louisiana, Oklahoma, Texas: Regional Manager, Redistribution Division, War Production Board, 1131 Mercantile Bldg., Dallas 2, Texas.

Region XI—Montana, Wyoming, Utah, Colorado, New Mexico: Regional Manager, Redistribution Division, War Production Board, 621 Continental Oil Bldg., Denver, Colorado.

Region X—California, Nevada, Arizona, Idaho (south of Salmon River): Regional Manager, Redistribution Division, War Production Board, 1355 Market Street, San Francisco, California.

Region XI—Upper Peninsula of Michigan (Luce, Chippewa and Mackinac counties only) and all Michigan counties not listed under Region VI, Ohio (Lucas county only): Regional Manager, Redistribution Division, War Production Board, 7310 Woodward Avenue, Detroit 2, Michigan.

Region XII—Minnesota, North Dakota, South Dakota: Regional Manager, Redistribution Division, War Production Board, Midland Bank Bldg., Minneapolis, Minnesota.

Region XIII—Washington, Oregon, Idaho (north of Salmon River): Regional Manager, Redistribution Division, War Production Board, White-Henry-Stuart Bldg., Seattle, Washington.

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[¶784] *Form of letter request for authorization of disposition of Part 1 property.—*

REDISTRIBUTION DIVISION, WAR PRODUCTION BOARD,
Washington, D. C.

GENTLEMEN: In pursuance of paragraph 763.2 (3), War Department Procurement Regulation No. 7, authorization is requested for disposition in the following manner of War Department property under the control of the undersigned:

1. Disposal ("Withdrawal", "Transfer," "Sale," "Lease")
   Item (Code reference) (Description) (Quantity)
   To (Name of transferee, buyer, or lessee—Leave blank in case of withdrawal) (Address—Show only in case of sale)
   Purpose (State purpose for which acquired by buyer in case of sale only)
2. Disposal
   Item
   To
   Purpose
3. Disposal
   Item
   To
   Purpose
   See annexed pages ____ to ____ inclusive for additional items.

(Signature)

(Address)

[¶785] *Form of telegraphic request for authorization of disposition of Part 1 property.*

REDISTRIBUTION DIVISION, WAR PRODUCTION BOARD,
Washington, D. C.

Request authorization ("Withdrawal," "Transfer," "Sale," or "Lease")
(Quantity) (Description) (Code reference) (End telegram here in case of withdrawal) To (Name of transferee, buyer, or lessee)
(End telegram here in case of transfer) (Address of buyer)
Purpose (Purpose for which acquired in case of sale)

(Signature)

Secretary PATTERSON. The primary objective of this regulation is to assure the expeditious return of unneeded property to war production. Section II provides for the disposition of property for purposes directly related to the prosecution of the war. Section III relates to scrap and other salvage, section IV to surplus usable military property; that is, articles already delivered to the Army and certain miscellaneous items, such as building materials, automobiles, and office equipment, and section V covers the industrial property in which this committee is primarily interested.

Industrial property which becomes surplus as a result of contract terminations or otherwise and which cannot be immediately used by a war contractor is disposed of after definite procedures have been followed to assure, as far as possible, that any need which may exist for the property within the War Department or other Government agencies will be found. The property which is excess at the place or in the plant at which it is located is listed according to five main classifications:

1. Machine tools and other highly critical production items.
2. Construction equipment.

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3. Industrial property which cannot be disposed of without wide circularization.

4. The controlled materials: steel, copper, and aluminum.

5. Property which can be disposed of regionally.

These lists of property are furnished to all interested War Department components, the Navy Department, the Procurement Division of the Treasury Department, and the War Production Board. For a period of 20 days after the lists are sent out, the property may be disposed of only for direct war uses; that is, to military agencies and their contractors. After the 20-day period, the property, except construction equipment, may be sold to anyone, subject to War Production Board regulations and limitations. Construction equipment is turned over to the Procurement Division, Treasury Department when as a result of circularization it is determined to be surplus to the needs of the War Department. The kinds and quantities of equipment and materials which are available to the public may be ascertained by inquiry at the regional offices of the War Production Board and the Procurement Division of the Treasury Department.

Surplus military goods will not become a major problem until the complete or partial cessation of hostilities. Until that time, although there will be occasional surpluses resulting from changing strategy or techniques of warfare, no very large quantities of military supplies will be available for sale. However, it may be assumed that there will be substantial stock piles, with surpluses in certain items, at the time of the defeat of the Axis in Europe. We believe that the first major step of demobilization will occur at that time. Of course, at that time, if our assumptions are correct, the war will enter a new phase.

When this first phase of demobilization is reached, it is believed that the following general principles should prevail:

(1) Subject to military requirements, privately owned plants not normally engaged in production of a military character should be given first priority in being released from war production, in order to facilitate their reconversion to civilian production.

(2) Government-owned plants should be kept in operation or stand-by until their production is clearly no longer required for the prosecution of the war. When no longer required for the war effort, a limited number should become a part of our permanent system of arsenals for the production of military equipment not available from private sources and for carrying on a long-range program of military research and development. Additional plants, for the production of items unavailable from private industry at the start of a war, should be placed in stand-by as a part of our strategic reserves. The remainder should be declared surplus and made available for sale to industry on a reasonable basis.

(3) Machine tools, equipment, work-in-process, and raw materials in the hands of manufacturers should be disposed of at the time of contract termination in connection with termination settlements, insofar as practicable. Such disposal will facilitate reconversion and employment and may also be expected to relieve the problem of shipping and storage of surpluses to a limited extent. However, only a very small percentage of total surpluses can be anticipated to be disposed of in this manner. The major part will remain for general

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sale or other disposition. We must assure that these surpluses are made known and available on a reasonable and equitable basis to the general public, including the small businessman, who may not have had the benefit of Government facilities during the war and to whom these surpluses may be of invaluable assistance in reconverting to normal peacetime production.

Some of these classes of property which will become surplus will present special problems. This is particularly true of surplus aircraft and chemicals and the plants for their production. The disposition of industrial plants and surplus material and equipment in these two categories will determine whether we are able to assure for the future healthy aircraft and chemical industries.

It is apparent from several bills that have been introduced in the Congress that considerable congressional thinking is directed toward the establishment of some central agency for the disposition of surplus property. Also the Office of War Mobilization, in assuming coordination of the activities of the executive departments relating to industrial demobilization, will doubtless concern itself with this question. Although the War Department has given extensive consideration to this type of proposal, it is not as yet in a position to make any definitive recommendations.

It seems to me very clear indeed that the policies in any event must be directed and controlled by a central agency. The only phase of the problem on which we have not yet arrived at definitive recommendations or conclusions has to do with the operating procedure under the general policies. That might also be by a central agency, or it is possible that it might be by the procurement agencies now charged with the property, the agency that has the contract with the producer where the property is located. As I say, that is a matter upon which my own mind is not yet clear as to which would be the more advantageous, although I am very clear, as, I said a moment ago, it must be under the direction of a common agency so that War, Navy, Defense Plant Corporation, Maritime Commission, and the Procurement Division, Treasury Department, follow the same general policies and principles.

Mr. Chairman, I hope I have been helpful to your committee. I will be glad to offer any additional information which is desired, or to explain more fully any of the matters which I have touched upon.

Mr. PATMAN. Mr. Secretary, I will forego asking questions until after the members of the committee have asked questions. Mr. Robinson, do you have a question?

Mr. ROBINSON. Yes; I have one matter here I would like to take up.

I was wondering whether or not this regulation No. 7 really solves the problem as it should with reference to getting these goods that are for sale before the public. This matter has been called to my attention in a number of instances in my own State, Utah, where they claim that after a contract has been finished the material has been sold for almost nothing and a good deal of it has been burned up. But I have a letter here from Arkansas—Pine Bluff, Ark.—and an inclosure which I think should be brought to your attention. My reason for this is I am fearful that possibly the circulars you have may slip over the desks in the Department, and the matters do not come seriously to the attention of other agencies of the Government.

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I will read from this paper just a moment. By the way, this is a clipping from the Arkansas Gazette of recent date.

Secretary PATTERSON. What city?

Mr. ROBINSON. Pine Bluff.

Mr. PATMAN. That is published at Little Rock.

Mr. ROBINSON. Pine Bluff is the city this is in. I will read a little from that paper; they sent photographs along with it so as to indicate what they are telling us is true [reading]:

American taxpayers who wonder where their money is going will be enlightened by a trip to a Pine Bluff junk yard that is piled high with material bought for a song, as "scrap" from a great arsenal nearby.

H. C. Smiley, owner of the junk yard, frankly admitted he didn't know why the Government permitted him to buy kegs of nails, unused metal window frames, electrically controlled steam traps and 20-foot lengths of 3-inch pipe as scrap metal, at a half-cent a pound. He is offering the equipment for sale at a gross profit of nearly 500 percent.

He has 600,000 thousand board feet of lumber stacked on an area in the East End about the size of three city blocks—bought from the arsenal at an average of slightly more than $2 per 1,000 feet. He is selling the lumber for $20 to $30 a thousand. In his junk yard are such valuable sizes as 12 by 12's and 8 by 14's, width nothing less than 2 inches thick. Ask any dealer how difficult it is to buy such timbers.

On the lot are reinforcing rods that never have been united, steel cable clamps, new iron bolts 1 by 14 inches, conduits and conduit connections, pipe fittings and large steam valves, coils of good and bad cable—all bought from the United States Government, as "scrap" for $11 a ton. Mr. Smiley will let you have all of it for $55 a ton, because Federal regulations place that ceiling on it. He said his price was a fraction of its real value.

He goes on. I will not read it further.

(The article is as follows:)

GOVERNMENT'S WASTE EVIDENT IN PINE BLUFF—BIG MATÉRIEL PILES HAVE BEEN SOLD FOR JUNK

(By John L. Fletcher, city editor of the Gazette.)

PINE BLUFF, Oct. 16.—American taxpayers who wonder where their money is going would be enlightened by a trip through a Pine Bluff junk yard that is piled high with material bought for a song as "scrap" from the great arsenal nearby.

H. C. Smiley, owner of the junk yard, frankly admitted he didn't know why the Government permitted him to buy kegs of nails, unused metal window frames, electrically controlled steam traps, and 20-foot lengths of 3-inch pipe as scrap metal at a half cent a pound. He is offering the equipment for sale at a gross profit of nearly 500 percent.

He has 600,000 board feet of lumber stacked on an area in the East End about the size of three city blocks—bought from the arsenal at an average of slightly more than $2 per 1,000 feet. He is selling the lumber for $20 to $30 a thousand. In his junk yard are such valuable sizes as 12 by 12's and 8 by 14's, width nothing less than 2 inches thick. Ask any dealer how difficult it is to buy such timbers.

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SAYS ARMY AND TREASURY FAILED TO PUT IN CLAIMS

Col. C. J. Overmeyer, to whom I was referred by the arsenal's commanding officer, expressed surprise when informed that the "junk" contained such things as unopened kegs of nails, but he didn't appear worried about the 61 metal window frames and pile of metal door frames that apparently had never been placed in a building. He said he would look into the matter.

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Colonel Overmeyer said this material, plus about 200 freight carloads of lumber remaining at the arsenal and 200 tons of "scrap" iron previously bought and sold by Mr. Smiley, was offered to the Army and other Federal agencies before it was released to the public.

"The Army had 20 days to claim it," he said. "Then the Procurement Division of the United States Treasury had a chance to get it. Following regulations, we sold it in order to clean up the ground after other Federal agencies failed to claim it."

HANDLES CUT OFF, SHOVELS ALLOWED TO RUST

He said he was not familiar with a transaction under which shovels were included in the junk. Most of the shovels are rusted now, indicating that they were orphaned without shelter for a long time, because it hasn't rained many times since last spring. They probably would classify as scrap, but many appear to be in good condition except for the rust.

Every shovel's handle has been neatly sawed off. Regulations forbid sale of such equipment if the handles are intact. The saw that severed the handles apparently did yeoman duty because it cut through a metal attachment as well as the wood.

Colonel Overmeyer pointed out that the buyer was required to transfer the lumber and metal from the arsenal to Pine Bluff, about 10 miles. He said the arsenal's personnel is limited and explained that he could not hire enough workmen to dismantle some of the buildings and move them away.

JUNK DEALER GETS HUGE QUANTITY OF LUMBER

To give an idea of the quantity of lumber bought—for which the Government paid the contractor on a cost-plus basis—Mr. Smiley said he and his partner used from four to eight trucks daily for 2 months to move the material. Much of the lumber is short stuff, which Mr. Smiley is selling for $8 a thousand board feet. He disposed of 37,000 feet of heavy bridge timbers to Jefferson County for $12 a thousand.

Mr. Smiley said his fastest-moving "scrap" lumber is 2 by 4's that had been finished and painted and never had a nail in them. Only a few pieces remained on the yard.

His stock of steel cable wasn't in such good condition. It had rusted. An arsenal workman told me that when dragline cables snapped while in use, the pieces were thrown in the woods and new cables requisitioned. Several coils, however, were in excellent shape in opinion of observers. They were bought for a half-cent a pound and are being resold for 6 cents a foot.

The junk yard contains a truck and trailer load of sturdy truck side standards and end gates that look almost new.

The metal window frames were bought at the Arkansas Foundry Co. at Little Rock for about $6 each. A company representative said they were not used when the arsenal reverted to wooden frames in some instances, and pointed out that they could not be utilized in an ordinary house or building.

The supply of nails was not large, but those in kegs that had been opened were of little value now. Evidently, the kegs had been left out in the weather and the nails allowed to rust.

Colonel Overmeyer discussed the "salvage problem" freely. Boiled down, his explanation was studded with references to Government regulations over which plant officers had little control.

NO ONE WILL EXPLAIN STREETCAR MYSTERY

But there was one subject which he flatly refused to discuss.

Out on a vacant block on West Sixth Street stands a few of the 30 or more Interborough Rapid Transit Co. streetcars that were bought by the Government in New York and transported all the way down here to serve as a shuttle train for employees between Pine Bluff and the arsenal.

No officer in authority would say how much the cars cost the Government. They never were used probably because they are constructed of wood and some are rotten. They were bought by Clint Elliott, Pine Bluff oil dealer, who is offering them for sale at $250 each. Mr. Smiley said he and his partner bid $2,255 for the cars. The steel under trucks have been removed.

No one could blame the arsenal for getting rid of the cars. I pulled up rotten boards with my hands. On the windows were pasted World's Fair signs, but there was nothing to indicate whether they were used in 1939 or 1893. The question

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that must intrigue everyone who sees the cars, and which the arsenal officers would not discuss, was:

"Why did the Government buy such equipment in the first place?"

BENEFICIARIES OF HOUSING STRONG FOR SOCIALISM

The Federal Government has built hundreds of cozy housing units at the arsenal for employees. Houses and apartments are convenient for the workers. From their standpoint, the units probably are the cheapest they'll ever rent unless the Government turns to socialism.

An employe who said he paid $70 a month for a three-room apartment in Pine Bluff, obtained a five-room apartment with built-ins, an ice box, kitchen stove, circulating heater, and some other furnishings for $12 a month.

He is furnished with all of the water, natural gas, and electricity his family can use for $3 a month.

"They say this set-up is the forerunner of socialism," he said. "If that's true, I'm certainly in favor of it."

Mr. PATMAN. Suppose you give Mr. Patterson that article.

Secretary PATTERSON. I would like to have that. That sounds like a rough case. I assume that the property is actually surplus, and that no other Government department wants it, and that it should be sold and cleared up, of course. The people interested in purchasing that should have adequate notice so that any bidder or offerer who comes along would have a chance to get it—not only to improve the price the Government should get, but out of fairness to the people who might be interested. They ought to get that notice so they would be advised. It ought to be sold in such a fashion that each one could get whatever he was interested in.

Mr. ROBINSON. Not only that, Judge, but in this particular vicinity, and also throughout the whole United States, there is a very great scarcity of lumber. The Army men down in this very section are trying to get lumber for certain Army work and they can't get it, yet here, just a few miles away, there is a stack of 600,000 feet of lumber being sold for next to nothing.

Secretary PATTERSON. Will you spare me that paper?

Mr. ROBINSON. I will be glad to turn it over.

Secretary PATTERSON. I will have it photostated.

Mr. HALLECK. Mr. Secretary, if I get your statement correctly, the War Department is already disposing of surplus goods?

Secretary PATTERSON. Yes, sir.

Mr. HALLECK. To what extent? Can you give us any general idea about that?

Secretary PATTERSON. I can say, to a very considerable extent. We have now, to date, some 10,000 terminated contracts. I want to be sure that I don't give you a misapprehension. That does not mean that the total volume of war production is on the decline. It does mean that for certain articles we have no further use, so we have canceled the contract calling for their production. We have, of course, increased our contracts for other items so that the volume of war production, on a production basis, also on the basis of obligations under contracts, is rising. Nevertheless, we do have some 10,000 canceled contracts.

Mr. HALLECK. I think anyone will understand that.

Secretary PATTERSON. There is a large surplus of material rising from those canceled contracts. We go into production of a light tank, the M–3 tank. A better tank comes along, a light tank, the M–5 tank used for the same purpose, believed by the armored forces

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to be a better article. We cancel the M–3 tank. That gives rise to surplus materials and equipment that were in course of being made and used for production of that tank. That is a typical case. We have many such cases.

I could find you a rough estimate, I believe, of the value. I don't know on what basis the value could be stated. I suppose—well, I would have to ask one of these people here how to do it. It is a large volume.

Mr. HALLECK. I am not interested except that I wanted to be clear in my understanding that this is already a problem of considerable proportions.

Secretary PATTERSON. Yes; that is right.

Mr. HALLECK. This thing to which my colleague has referred, if it is true, is kind of a shocking thing. It would seem to me that sort of thing could happen only by reason of some failure to properly advertise or make a general public acknowledgment of the fact that the goods or the property would be sold.

Secretary PATTERSON. Either that, or in the manner of sale.

Mr. HALLECK. What are the regulations covering this? Is it the fault of your regulations which permit that thing to happen, if it did happen? What are your provisions for advertising?

Captain JOHNSTON. There is no requirement for advertising in all cases—that is, public advertising. If you refer to section 764 of Procurement Regulation 7, there is a general statement there as to the obligation of the selling officer to undertake such procedures as he may deem to be reasonably required in the circumstances to develop the price and the market for the product which he is selling.

Mr. HALLECK. I wouldn't want to undertake to run the War Department, but it would seem to me, Judge, the No. 1 thing is to avoid that very sort of thing. It destroys confidence all over the country. The thing is to adopt rules and regulations that will make it mandatory on the disposing officers to see to it that proper steps are taken to inform people of the fact that a sale is to be had.

Secretary PATTERSON. I am in hearty agreement with you on that.

Mr. HALLECK. That sort of thing makes people lose a little enthusiasm about buying bonds. It has other bad effects.

Secretary PATTERSON. We will investigate that case. This is the first time I had heard of it. I don't believe, myself, that public advertising in the sense of legal notices, and so on, would be adequate in many cases. You have a vast variety of stuff. There is some kind of surplus material that is available for sale in which no persons in the community would be interested in the least, and your possible customers might be far away—people in a certain trade. Of course, in this case, if it is lumber, that is a case where I think almost anybody in the vicinity would be interested. That would be a matter of adequate notice to the people in the area. In other cases, it would be, I suppose, a question of seeing to it that people in a certain trade got the notice.

Mr. HALLECK. Obviously, you have trade journals that carry the information to the people in that particular trade or line of business all over the country.

Secretary PATTERSON. You can do it by circularization of particular people.

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Mr. HALLECK. Beyond that, Judge, I think we have a precedent in the various State statutes that deal with the disposition of property that has been acquired by municipalities or subdivisions of the State; or the State itself, that requires advertising.

Secretary PATTERSON. Can you give us the details on that, Captain?

Captain JOHNSTON. Colonel Austin would like to make a statement on it.

Colonel AUSTIN. It is probably wise to say in the beginning this whole Procurement Regulation No. 7, which was developed in approximately its present form in the early part of the summer, was designed primarily for the quick disposition of serviceable property that could be used in the war effort, to obtain the disposition of that property into the channels of war industry. The larger part of the property that the War Department has disposed of, I believe, has been disposed of at ceiling prices. I am talking about serviceable property that is needed for the effectuation of war contracts. That property has been widely circulated, not only within the armed services, within the War Department, the Navy Department, the Air Corps, which is part of the War Department, and the Maritime Commission, but also to the offices of the Rubber Director and the offices of the Petroleum Administrator for War, which has had the responsibility for building the high-octane plants which have been so important. A great deal of our property which has been available has gone into those channels.

Mr. PLOESER. You mean when you dispose of it to other agencies of the Government, you do it at ceiling prices?

Colonel AUSTIN. That is right, only transfers in the War Department, more recently in the War Department and Navy Department, have been without transfer of funds—no price attached to those particular ones.

Mr. PLOESER. That sort means nothing to the taxpayer.

Secretary PATTERSON. That is on the books.

What I want, Colonel, and I think perhaps the committee wants it, too—I am sure they do—is a treatment of the other cases where that does not happen, where no department does want the stuff.

Colonel AUSTIN. Then all of these surpluses, very early in the game, are given to the War Production Board, either in Washington, or in most cases to their regional offices, where they are available to all purchasers, all contractors, all other buyers. We have based this procedure in this stage on the belief that the War Production Board was the agency that could best coordinate desires of industry for the use of our equipment and materials that were surplus.

In some cases it has become impossible to sell or dispose of property through that procedure. We will get property on our hands that doesn't find a place at the ceiling price, or anything like it. That is where the problem is going to come, of course, in increasing volume as the supply-and-demand situation changes in this country.

The case that is mentioned out here in Arkansas, which we know nothing about, or rather have known nothing about until this time, is presumably the sale of salvaged material, lumber—maybe scrap lumber. It may be crating, or boxing material. Perhaps it should have found better use than it did. We can't tell that until we investigate.

Mr. ROBINSON. The thing I was trying to point out is this: That likely your regulations you have made are not sufficiently clear or do

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not get publicity enough in the various departments. As I understand, this is all given in code in your regulations. It is a code affair, is it not?

Colonel AUSTIN. No; it is spelled out plainly.

Mr. ROBINSON. I rather got the impression from reading your regulations here, that so far as your interdepartmental work is concerned, this is in code.

Colonel AUSTIN. Oh, no, sir. The items are listed with a clear description of their character and specifications so that it would be possible for a prospective buyer to know what there is available for him.

Mr. HALLECK. What percentage, Colonel, of the original cost price has the War Department been getting for the surplus goods it has been selling?

Colonel AUSTIN. I can't answer that question.

Mr. HALLECK. Could you make any determination, either specific or general, along that line for the committee, because it strikes me that is kind of proof of the pudding.

Colonel AUSTIN. I can say that the larger part, I believe, of the property, of the serviceable property which has been in demand by industry, has gone at ceiling prices or close to ceiilng prices.

Mr. HALLECK. It was brought to the attention of this committee at a previous hearing of the sale of certain machine tools in Detroit at scrap price, the machine tools having been alleged to be still serviceable.

Colonel AUSTIN. I am not familiar with the details of that. It is an Air Corps situation, as I understand it. We had nothing to do with it in our office. That is a type of thing that can happen throughout the War Department, that is, property becoming surplus which has been offered through all the Government agencies over a period of time, to the War Production Board, Treasury Procurement, and there are no takers.

Secretary PATTERSON. I have heard a great deal about that Detroit case. Is there someone here who knows the details of that? That is available, I know. The Truman committee have also been inquiring into that.

Mr. PATMAN. That is the reason we had not gone into it. I understood the Truman committee was.

Secretary PATTERSON. That is right.

Mr. HALLECK. Has the War Department entered into any agreement with manufacturers to resell products made by them to that manufacturer if they become surplus?

Secretary PATTERSON. Not that I know of; no preliminary agreement. Of course, that is a common thing, I take it, in termination settlements. If you terminate a contract, one of the first things you have to do is to make some disposition, and as quickly as possible of the materials on hand right in the plant. I take it if you can get the contractor to take that and credit the Government with it, that is commonly done.

Mr. HALLECK. The thing that led me to inquire is the suggestion that has been kicked around here a little—whether there is anything to it or not, I don't know—that there has been either an agreement or discussions looking toward an agreement, that might return all motor vehicles owned by the War Department, where you have

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actually taken delivery of them, to the manufacturers of those vehicles when declared surplus.

Secretary PATTERSON. I have heard nothing of that kind.

Colonel AUSTIN. There have been no cases like that, except in one case——

Secretary PATTERSON. Tell them.

Colonel AUSTIN. There was one case worked out in connection with the War Production Board, handled by them, as to steel valves which were in short supply at the time. In the middle of the summer they were made available to the manufacturers of those valves. The manufacturers were supposed to, and I believe did, utilize those valves for filling orders before producing additional valves.

Mr. HALLECK. I think that would make sense. I would question any War Department policy that would, say, take these motor vehicles and turn them back to the manufacturers, instead of turning them into the hands of dealers who might immediately transfer them on to needed uses.

Secretary PATTERSON. I have never heard of any such suggestion at all.

Captain JOHNSTON. Under the present regulations, all motor vehicles are turned over to the Procurement Division of the Treasury Department which first, of course, ascertains whether there is any need for the vehicles among other Government agencies. It then arranges for final disposition of them, if there is no governmental use for them. Under our present procedure, automobiles would be the type of property we turn over to Treasury Procurement, when we find the War Department has no need for them.

Mr. HALLECK. How expeditiously are you paying the money due the contractor when there is a termination or cancelation?

Secretary PATTERSON. Of the 10,000 cases involved, I understand 3,000 have not yet been settled. The procedure has not been as swift as it should be, and as it has to be. That is due to the fact that the problem is new. We got out our procurement regulations about 2 months ago, a new set of them. It takes time to train our people in the operation of them.

Mr. HALLECK. I view this whole thing as of today as a kind of warming-up exercise, when we ought to get in condition. We ought to shake this thing down for the big day that is coming.

Secretary PATTERSON. Preliminary practice.

Mr. HALLECK. It isn't very encouraging, seeing these tremendous lags and delays. If hostilities ceased as of today, failure to pay promptly amounts due on contracts might completely stymie peacetime production.

Secretary PATTERSON. We are not proud of the speed we have had in these termination cases at all. We don't take them as a standard of what we have to do.

Mr. HALLECK. I have one other question. I don't know whether it is proper here, but as we accumulate greater surpluses, the job of disposing of them will become greater.

Secretary PATTERSON. I can't think of a more tremendous problem, anywhere, than the problem we will have to face when there is a wholesale termination of contracts, and one of the most important problems will be the disposition of property.

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Mr. HALLECK. The thing I want to inquire about is what the steps will be?

Secretary PATTERSON. It will affect the whole economy fo the Nation for years.

Mr. HALLECK. Everyone wants the War Department to have what it needs to wage this war successfully. We want to be on the plus side instead of the minus side. I don't know whether the War Department, or who, bought enough butter to last until next spring and civilians are not getting any.

Secretary PATTERSON. All those purchases, of course, are worked out with the War Food Administrator. We don't buy any more butter than for our needs. The Quartermaster General, with the War Food Administrator, determines what is necessary for War Department requirements, Army requirements. We don't just act on our own whim in that, is what I mean to say.

Mr. HALLECK. The only reason I brought it up was just to make the suggestion that although everyone wants to be on the plus side, at the same time I think wherever possible there should be a tightening up of the over-all picture of procurement for the war effort. The only responsibility you would have would be for the War Department, of course. Where you operate to the end that great and unnecessary surpluses are not accumulated, we won't be disposing of them at the end of the war. For instance, I do not think we should repeat what we did during World War I, and buy unnecessary surpluses of heavy underwear, that people might well need this winter very badly and then be 20 or 30 years after the war's end getting rid of the surplus that has accumulated.

Secretary PATTERSON. I agree with you. About 3 months ago we appointed a board in the War Department called the McCoy board, because General McCoy headed it, to review all programs within the War Department, to make sure they were related with one another, that we didn't have surpluses of one kind and another, that we didn't have surpluses of certain kinds of weapons that were to use ammunition procured on a different basis—all that sort of thing. The McCoy board gave a report about 2 months ago. At best, we are going to have a vast amount of these things. After the last war, the Army and Navy stores sprang up all over the country, and they are still selling articles purchased in 1918. And we are bound to get a lot of that. We don't want any more than we can help, I agree with you.

Mr. HALL. I have one question. Many of these large plants doing contract work for the services have their own machine tools, their own materials.

Secretary PATTERSON. Yes, sir.

Mr. HALL. Of course, I understand they, too, are selling these worn-out tools, so-called material surpluses, as scrap. Naturally, if that isn't watched, that, too, adds to the cost as far as the taxpayers are concerned. I am wondering whether or not in those cases the War Department is watching what the plants are doing

Secretary PATTERSON. I don't think we do unless they are strategic tools of which there is a shortage.

Mr. HALL. We have rumors, for instance, that they can go to a plant and buy something for $50 a ton, go out and sell the various little items out of the lot, many for much more than the whole thing

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cost. It would seem to me if, so far as these negotiations are concerned, such practices add to the cost. I am wondering if it is in the province of the War Department or the Navy Department to scrutinize this?

Secretary PATTERSON. Not directly. If a man is not on a cost-plus-fixed-fee basis, it is his own property. If he is operating under a fixed-price contract, it may be that none of our property is on his premises at all except the deliveries we take of the finished products. I am not sure what business we would have in a transaction where he sold something he didn't any longer need.

Mr. HALL. Let us assume it was a cost-plus contract. In that instance it certainly has some bearing.

Captain JOHNSTON. On that, sir, all Government-owned property in the hands of war contractors can only be sold with the specific approval of the contracting officer.

Secretary PATTERSON. Of course, in such a case the property belongs to us.

Mr. HALL. I am not talking about Government-owned property. I am talking about plants with large contracts selling scrap. I understand in many instances it isn't scrap. If you have a cost-plus contract with that plant, of course, that goes into the picture and adds to the cost. I am wondering whether or not, as I said before, if it isn't in the province of the Department to watch that?

Secretary PATTERSON. It surely is on a cost-plus contract.

Mr. PLOESER. It certainly would be.

Secretary PATTERSON. Yes.

Mr. PATMAN. Is there anything else?

Mr. ROBINSON. No.

Mr. PATMAN. Thank you, Mr. Secretary, for the information you have given us. If you will supply the additional information, we will be glad of that, too.

The committee will be adjourned until tomorrow morning at 11 o'clock.

(Whereupon, at 12:05 p. m. the committee adjourned to reconvene October 22, at the same place, at 11 a. m.)

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SMALL BUSINESS OF THE UNITED STATES

FRIDAY, OCTOBER 22, 1943

HOUSE OF REPRESENTATIVES

SUBCOMMITTEE OF THE SELECT COMMITTEE TO CONDUCT A STUDY AND INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM IN ITS RELATION TO SMALL BUSINESS IN THE UNITED STATES AS AFFECTING THE PROBLEM OF THE DISPOSITION OF GOVERNMENT-OWNED PROPERTY NO LONGER NEEDED FOR WAR PURPOSES

Washington, D. C.

The subcommittee met, pursuant to adjournment, at 11 a. m., in room 1301 New House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman (chairman), Robinson, Stevenson, and Halleck.

Also present: Dan W. Eastwood, chief investigator for the select committee.

Mr. PATMAN. The committee will be in order.

Admiral Land, would you like to take your statement and read it or have someone read it for you?

Admiral LAND. The enclosure of my letter to you; sir?

Mr. PATMAN. Yes, sir.

Admiral LAND. I am perfectly willing to read it.

Mr. PATMAN. If you will, we will have it taken down.

We all know you, it is not necessary for you to identify yourself for the record. I hope you will identify yourself to the reporter so she can put it in the minutes.

Admiral LAND. I am Chairman of the Maritime Commission and War Shipping Administrator, Emory S. Land.

STATEMENT OF REAR ADMIRAL EMORY S. LAND, UNITED STATES NAVY, CHAIRMAN, UNITED STATES MARITIME COMMISSION, AND WAR SHIPPING ADMINISTRATOR

Admiral LAND. Mr. Chairman and gentlemen, in response to request of the chairman of the Select Committee on Small Business, a letter was submitted to the chairman on date of September 23. There was an enclosure with that reply, dated September 23, 1943, comments Re Problems of Disposition of Government-Owned Property No Longer Needed for War Purposes.

The Maritime Commission, as you know, was and remains charged by the Merchant Marine Act, 1936, as amended, with the task of recreating and maintaining a merchant marine sufficient to carry our

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domestic water-borne commerce and a substantial portion of our water-borne export and import foreign commerce and capable of serving as a naval and military auxiliary in time of war or national emergency, this general policy being further outlined and enlarged upon in title I of the act.

The Commission was engaged in the carrying out of that policy when the present war broke out in Europe and its activities were modified and intensified because of the declaration of a national emergency, and later, the declaration of war. When the time comes for a reduction in its present construction program, it will still remain charged with the carrying out of the policy of the Merchant Marine Act, and whatever steps are taken by the Commission with respect to reduction in its contractual undertakings, the termination of some of its contracts, and the disposition of both vessel and plant facilities, will have to be taken in the light of its continuing obligation under the policy laid down for it by the Congress. To a considerable extent, it is probable that this policy will be molded by the broader international policies which will govern the post-war relationships between this country and the presently allied and friendly nations, as well as the nations with which we are at war.

It follows from this, first, that any legislation relating to war contract termination and vessel and plant facilities disposition should be most carefully drafted so as not to be in conflict with the provisions of the Merchant Marine Act, and not prevent or handicap the Commission from carrying out the full intent of the Merchant Marine Act and such other functions as may devolve upon it in these matters as a result of possible future international agreements; second, that to the extent that the Commission shall determine that there are properties of any kind over which it is not necessary or desirable that it retain control in order to discharge its duties under the act, it should be able to rely on other agencies of the Government for their disposition, so that its full energies may be devoted to the task related to the merchant marine, and not to tasks which are purely in the nature of liquidations; on the second point, the matter of the post-war disposition of merchant ships should not be confused in any way with the disposition of shipbuilding facilities, since the former, but not the latter, are likely to be closely related to international policies and agreements; third, it should have clear authority to determine with respect to shipbuilding facilities which of such facilities should be retained as part of the provision for a possible future emergency, and which should be disposed of in accordance with such determinations from time to time. The facilities which are to be disposed of should be so handled that their disposition is consistent with proper policies related to the internal economics of the country, and, hence preferably by some one agency charged with the responsibility of carrying out such policy.

If this be done, then the policy to be followed out by such an agency in disposing of the property should be governed in part by the obviously important consideration of obtaining for the Government as much recovery therefrom as can consistently be effected; in part also by the handling of property disposals in such manner as will not destroy the market of the domestic producers of such articles—particularly, the smaller producers who are most apt to be seriously affected by the throwing upon the market of large quantities of surplus

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Government materials; in part, by consideration of whether practicable use may not be made of such surplus materials by individuals or corporations who might otherwise find it difficult to rehabilitate their business after the dislocations which have been caused by the war; and finally (and perhaps most important) by such provisions as will involve the least possible delay in enabling industry to resume peacetime activities and employment.

It would appear that a proper domestic policy for the disposition of surplus facilities would be much more affected by the surpluses arising from the activities of other departments of the Government, such as the War Department and the Navy Department, than it would by surpluses arising from the activities of the Maritime Commission. This is particularly true, not only because the total activities of the Maritime Commission are only a fraction of those of the other departments, but also because it operates, for the most part, in a very special field, namely, that of shipbuilding, and most of the facilities which have been created at its expense constitute shipyards which had no prior existence, are operated by companies which did not operate shipyards previously, and with respect to which there is, therefore, no implied obligation on the part of the Government to provide for a rehabilitation or even for a continuance, the question of continuance of operations at such yards in the post-war period being obviously to be governed by questions of policy having to do with the maintenance of the merchant marine itself and only in certain particular instances with reference to continuity of preexisting businesses.

Roughly, the surplus facilities which the Commission will probably have to consider may be divided into three general classes:

(*a*) Land which has been acquired by the Commission, including permanent structures thereon, for shipyards or other purposes;

(*b*) Buildings erected upon such land which are of such character that they may be disposed of independently of the land, such as steel frame buildings which might be removed and reerected elsewhere;

(*c*) Personal property consisting of machinery, tools and miscellaneous materials and stores.

Some of the land referred to above will, in all probability, have a high resale value for other than shipyard purposes, which value may have to be realized by careful handling of the problem over a protracted period. Some of the land, on the other hand, may have very little resale value, and it may be desirable that it be retained by the Commission for purposes connected with provision against future possible emergencies.

Removable buildings will also require skillful handling in their disposal in order that a reasonable return may be obtained.

Certain of the machinery is special to the shipbuilding art, is likely to have very little immediate resale value and will, therefore, be retained by the Commission and suitably stored either in situ or otherwise, as a provision against a possible future emergency. It is probable that some of the real estate having slight commercial value may be useful as concentration storage points for such machinery.

With respect to other machinery of a more general character. Such as miscellaneous machine tools, welding machines, et cetera, as well as the large number of small machine and hand tools, and of miscellaneous supplies, these, to the extent that they are in excess of what the Commission may determine as current needs, should be the

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subject of disposal by the centralized agency under the guidance of such policy as may be laid down therefor by Congress.

To supplement my written statement to you, I should like to add the following. We have a peacetime surplus organization, as have other procurement agencies of the Government. It has a very simple process for surplus, as follows:

We advertise them to all other Government agencies. Finding no takers, we advertise them to the public with sealed bids and sell to the highest responsible bidder. Under wartime we not only have that process which is, of course, by statute, but we have a surplus property section, a procurement division, which controls directly or indirectly the surplus property section. And I have brought here in case the committee desires it, our administrative order of July 6, 1943, and supplement of July 27, 1943.

We also have used our best endeavors to collaborate and cooperate with other procurement agencies of the Government and are now engaged in definite and specific studies of the regulations as promulgated by the War Department, Navy Department, and Treasury Department, as well as proposed regulations through the War Production Board. We will not follow exactly more than policy there, but we will adapt and adopt to our particular and segregated needs the necessary machinery to carry out the general policies, assuming that they are approved by the Congress or that they become governmental policies. Our problem is far more simple than that of either the War or Navy Department, for example, because we are definitely engaged in just shipbuilding alone. Now that is not 100 percent accurate but it is about 99 percent.

Therefore, we have no concern with food products, for example, or munitions, or literally thousands of things that both the Army and Navy do have.

Quantitatively our problem is great. Qualitatively, it is relatively small. Let me give you an example. We have damaged ships right now. It is our business to determine whether that ship should be repaired or whether it should be scrapped. We have an approved agreement arrangement with the Defense Metals Corporation, in which after we have stripped the ship of essential parts for our own use we turn it over to them. They determine how, when, and where they can utilize it. If they have no use for it whatsoever we in turn will put it on the market and sell for scrap.

That is a major operation and probably involves one of the largest single pieces of administrative business we would have to perform. It is already in being and actively being executed from time to time.

Mr. PATMAN. How many of these ship-repair yards do you have, Admiral? Approximately?

Admiral LAND. Well, I would say somewhere between 60 and 150, depending; if you go down into details, you get a major number. But the principal repair yards of these United States would only be 50 or 60 yards. We have 60 major yards and 20 minor ones—that is, shipbuilding yards.

Mr. PATMAN. Would it be all right for me to ask you a few questions, now, Admiral, or would you like to continue?

Admiral LAND. I just wanted to go on with some notes I have here.

Mr. PATMAN. All right, go ahead, sir.

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Admiral LAND. I would like to make this statement before the committee, that in my judgment the American merchant marine which the Congress and Administration have authorized to be built and will be in being and is in being, will have its effect at the peace table, for this reason: Any merchant ship you have today is less valuable today than it would be tomorrow, for when the armistice is signed and we take off the guns, gun crews and other national defense features we have a 20 percent more valuable article tomorrow than we have today.

Not boasting because I happen to be connected with the Maritime Commission, but giving you facts that are not true of the other war industries of this country, it has to receive or should receive by the Congress and by the Government considerably more serious consideration in post-war than the implements of war which from a peacetime point of view are relatively useless. That is said with no disparagement of other things. As far as I can see, bombs, torpedos, shells, and powder are of no value after the armistice, except scrap value, while the merchant ship is 20 percent more valuable 2 days after the armistice is signed than it was before, for the reasons I have indicated. They can carry on indefinitely or under our act for a period of 20 years. That, I think, has an important bearing on any steps that are taken with regard to the disposal of the merchant marine and the facilities and excess material that go along with it. That happens to be my own idea, but I think it is of sufficient importance for you gentlemen to consider. It only has an indirect bearing legislatively, to be sure, but I think it is economically sound.

I will answer any questions I can answer.

Mr. PATMAN. Yes; I can see where your particular matter will come more under the terms of peace than it will be important here as a domestic issue. Doubtless much could be said in expanding on your remark made a while ago that it is an ace in the hole at the peace table; the question of division of all this property after the war will likely come up. Do you have in mind any plan you think the United Nations should agree upon about disposal of merchant-marine property, or its use?

Admiral LAND. I have some ideas, but I think it is probably premature for a representative of the Government to advocate them as they may involve other departments of the Government and undoubtedly do—probably State Department, administrative policies, international complications.

Mr. PATMAN. For that reason I would be reluctant to go into it very much.

Would you like to ask some questions, Mr. Halleck?

Mr. HALLECK. I believe I will, Mr. Chairman. Just a couple of questions.

Admiral, having in mind the use of a merchant marine after the war, are these so-called Liberty ships that we are building now of the type and the speed and so forth, that will make them of continuing value in peacetime competition?

Admiral LAND. Specifically and briefly; no. They are not in my judgment post-war competitive types that are satisfactory. They were obsolete when they were started. They were started because that was the only propulsive machinery we could get in these United

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States. They filled an emergency need, doing a marvelous job. In post-war competition they will not compare favorably with either our fast ship program or those of other nations, as far as I know. They will, however, serve certain purposes where bulk commodities are shipped in which time is not an important element. So they are of value, but they are not of highly competitive value.

I have confused the country, unintentionally, when I called them 5-year ships. Everybody thought they would fall to pieces in 5 years. That is erroneous. They will last as long as any other steel ship. Their competitive value is reduced because of their type of machinery, that being reciprocating engines, and they are not as economical in fuel rate as turbines, Diesel-electric and straight Diesels.

Mr. HALLECK. Are we building in the war effort ships other than the so-called Liberty ships?

Admiral LAND. Yes, our program in 1944 will be well over 50 percent fast ships; C-types, high speed tankers; much less than 50 percent Liberty; subject, of course, to high military strategy demands. It is roughly about a ratio of 11 to 8, or thereabouts, 11 being fast ships, 8 the Liberty types.

Mr. HALLECK. I don't know who might buy these ships; whether or not any of them would be for sale after the war, I think, would be dependent in large measure on the volume of international trade that might be available to utilize their facilities. What do you think of this situation in respect to the merchant marine?

Admiral LAND. On July 1, 1943, the world tonnage (this is approximate, not accurate), was about ten million shy of the quantity in 1939. As of January 1, 1944, there will be about the same tonnage as there was in July 1939. Beyond that, there will be greater world tonnage than ever existed previously. That means surplusage.

Now, there isn't anybody that has enough brains to give you or anybody else a definite answer as to the utilization of this surplus. For a brief period after the war—minimum 6 months, maximum 3 years—there will be ample opportunity to utilize everything we have, returning our troops, looking out for United Nation countries whose shipping has been destroyed, and doing such things as the Government approves and directs for the conquered countries. So I see, in my judgment, a utilization for our shipping in that period immediately after the war. I think that is rather well recognized, going back to World War I. Beyond that, I don't know and I know of no one who does know. We all believe that there should be tremendous trade expansion, that certain countries under the Allied flags should be expanded industrially. Therefore, it would mean our foreign trade would be increased. If that could be worked out, these problems would be solved. Not knowing how that would be, my judgment is that you are going to have to taper off from your peak over a period of time, to take care of the situation. And it is my belief that we should build up a proper reserve of primarily fast ships, secondarily, slow ships, so that there will not be a recurrence of this debacle that has come 20 years after World War I.

I have heard it expounded—I am not giving it as my opinion, althought I might believe it—that if we had had a merchant marine as large as Great Britain's, this war might never have taken place.

Mr. HALLECK. I would be very frank to express my view, which is that I am hopeful that after this war ends, we not just give up all

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these ships and step out of the world transportation picture; that we maintain a merchant marine to the greatest extent that we can; that we stay in the world picture with the fleet that we have developed in these wartimes. I think that, not only as a matter of safety against future wars, but as a matter of economics in the preservation of our country, this is highly important.

One further question: Admiral, I take it that in the present shipbuilding program we have many of what I would term old line shipbuilding companies that were in business before World War I—some of whom probably continued in business in the interim and which are now in the shipbuilding business. I take it that we also have shipbuilding companies that have been set up principally by the use of Government funds to build ships needed in the war emergency. Obviously, after the war ends, we are not going to need all those ship builders. What is going to be done as between these two different types or classification?

Admiral LAND. May I answer you with my pet remark re World War I? These United States built 223 shipyards. They built 2,300 ships. They spent $3,000,000,000. Not a blankety one of them ever got in the show. As an analogy, we have built 20 minor yards, 60 major ones. You know as well as I do how many ships have gotten into this war.

Coming back to the specific question—these old-time yards—not one of them except one has anything to do with the merchant-marine program. The Navy crowded us out. We are in Federal, that is all. Those old-time yards existed after World War I. If precedent means anything, they should continue to exist. What are we going to do with our mushroom-growth yards nobody but the Deity really knows, and He doesn't tell us. But so far as policy is concerned, I would say that the survival of the fittest is one logical answer. It may be a very brutal answer, but I think that is what is going to happen. That is one reason why I want to see built up what many of you may feel would be too large a reserve, a first and second reserve, if you like, not only for the safety of future American citizens, but as a safeguard against any repetition of war; also to be capable of utilizing them under certain restrictions, either congressional or by international shipping agreements, or any other restrictions that are approved by the nations, so that they are available and, therefore, continue those yards that deserve to continue until they have a chance to slowly disseminate their efforts into something that is industrially economic and constructive to these United States. It is going to be a slow and painful process.

Mr. HALLECK. I agree with you that, first, we want to maintain the facilities that we might use to help us maintain our proper position in world trade, and, second, leave us with the facilities to meet any emergencies that might arise by reason of war or threatened war. But, precisely, here is the thing that has disturbed me—not only as it affects shipbuilding companies, but the over-all productive effort to carry on the war. Here is a shipbuilding company that has been in business for a long time. It has been built with private capital. It has stock outstanding. It has to make a return on that stock to stay in business. Now, then, if upon the termination of the war these Government-owned yards were to be sold to some private buyer for a small fraction of what they cost, then this competition that you

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are talking about, and normally I believe in the survival of the fittest in our economy, I think we ought to make the rules fair, then let everyone survive that can. I can see in this situation tremendous possibilities for governmental preference of one yard or of an individual who might come into the picture or possibly might be in the picture now as against an established productive capacity of the country. To my mind that wouldn't be making the rules fair. I don't know whether you follow me or that what I have suggested is of any consequence in these hearings or not, but it does seem to me that it has very definitely to do with the invested capital and the rights of those who haven't been reluctant at all to turn their full production to the war effort, whether for the Navy or the Maritime Commission, but who suddenly find themselves confronted with tremendous possibilities of competition that might, unless we are careful, come to be a tremendously unfair competition if handled in an unfair manner.

Admiral LAND. Of course, there are two ways of handling that. One is by the statutory method of the lowest bidder, which is again probably survival of the fittest. The other is by congressional directive, a distribution of effort on a negotiated basis. And so far as the policy of the Maritime Commission is concerned, it is a self-evident fact that in distribution of effort throughout these United States, we have come about as near living up to what we considered the congressional and administrative policy as any organization of the Government. All you have to do is see where the shipyards are now; not now, but even before the emergency; go back to 1938 and 1939; they are distributed pretty well.

Now, then, if by congressional mandate you go to distribute the work that is to be done, we are going to need combination ships, and passenger ships, because we have little or none of them now, as a lot of them are at the bottom. Congressional mandate can undoubtedly direct distribution of work. I am not coming up here to advocate that. I think you gentlemen have got to determine that yourself. Those are the two methods I would say you could use. You could territorially distribute whatever is available, with, of course, some real attention paid to cost and time.

Again, the Merchant Marine Act requires us to own and operate privately, if practicable; otherwise, the Government steps in and you immediately come into another problem, because kissing goes by favor and certain owners favor certain shipbuilders. You can't stop that. They are free, white, and 21. Certain owners require certain difference of designs. They are not willing to accept the standardized design which is the keynote of our quantity production. So it is no easy problem to even get a worm's eye-view of it.

Mr. HALLECK. Those of us in Congress, of course, are going to have to grapple with it. There is going to be a terrific scramble. I think we can see that coming.

Admiral LAND. I think our first job is to win the war, but I say to my critics that nobody is going to keep me from thinking what is going to happen after the war. I spend a great deal of my waking moments thinking about this thing. I can't see dropping 2,000,000 shipbuilding men tomorrow if an armistice is signed this afternoon.

Mr. HALLECK. We all want to win the war first, but it doesn't do much good to win the war if we don't win the peace.

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I hope we can maintain freedom of opportunity, liberty of the individual and all the other things we are supposed to be fighting for. I think it proper that all of us give a little attention to it. I don't think it detracts at all from our winning the war.

Admiral LAND. I made a speech a few weeks ago as to these problems. I must confess there are more words than action, but there is a skeleton of what we can do with these things. If anybody cares to have it and put it in your record, it might answer some questions. But it isn't an answer to the maiden's prayer. It isn't a star quarterback. It isn't going to spark plug the team.

Mr. PATMAN. Do you have a copy of it with you?

Admiral LAND. Yes. I would prefer that somebody criticize it and read it before finding it even worthwhile to put in the record. That is up to you gentlemen. I have attempted, as far as a Governmental representative can do so, to review the history of American merchant marine within the last year and, with a good many veils on it, prognosticate a little of the future.

(The above-mentioned paper is as follows:)

EXHIBIT E

THE AMERICAN MERCHANT MARINE ON AN EVEN KEEL

(Address by Rear Admiral Emory S. Land, United States Navy (retired), Chairman, United States Maritime Commission, and War Shipping Administrator, before the American Merchant Marine Conference and annual dinner of the Propeller Club of the United States, Waldorf-Astoria Hotel, New York City, 8:00 p. m., Friday, October 15, 1943)

Mr. Toastmaster, members of the Propeller Club of the United States, and honored guests at the American Merchant Marine Conference:

I am glad to be back with you once more, and to have an opportunity to discuss the subject which each year brings us together—the American merchant marine.

It is good to assemble like this—to greet old friends and make new ones, to take stock of our position, to exchange thoughts, and, finally, to take a look at the future. The future is a bit uncertain at this time. Maybe I shouldn't talk too much about it. Our merchant seamen tell us to take a lesson from fish—"keep your mouth shut and you won't get hooked." Some fish do get away. I'll take a chance.

This world-wide war, this war of transportation, has reestablished our Nation as one of the world's strongest maritime powers. Our merchant marine, now the largest in our history and rivaling any other for size and quality, is a war-created resource. Our problem, now that our shipbuilding industry has reached its production peak and is fully capable of meeting its goals, is to continue our merchant marine in the post-war future as a resource. We must not repeat mistakes made in the wake of the last war.

There are, of course, other merchant marines to be taken into consideration—those of the other United Nations. They are our allies and partners. They are entitled to fair play and a square deal. There are also the merchant marines of the Axis Nations. They are the deuces in this merchant-marine deck, and I don't mean deuces wild. I mean "duces" tamed.

In preliminary discussions of our post-war policies, we of the Maritime Commission and some spokesmen for the shipping industry have stated that our objective should be to have our merchant ships carry a substantial portion of our Nation's foreign commerce, both imports and exports—a greater portion than ships under the American flag have carried for many years. Since 1900 they have carried as little as 8 percent, and seldom have exceeded the 30-percent mark.

The declaration of policy in our Merchant Marine Act of 1936 states, and I quote:

"It is necessary for the national defense and development of its foreign and domestic commerce that the United States shall have a merchant marine sufficient to carry its domestic water-borne commerce and a substantial portion of the water-borne export and import foreign commerce of the United States."

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What may properly be deemed a "substantial portion"? The dictionary defines substantial as something "of real worth, or considerable amount." It is also described as "large." I don't know exactly what percentage of our trade would be considered a "large" or "susbtantial" portion. All I can say is that if a man promised me a "substantial" piece of an apple, and then gave me the core and a bit of the skin, I would consider myself gypped.

The future of our merchant marine is, of course, subject to international policies and adjustments. Ships engaged in domestic trade are a domestic matter, and do not impinge upon our relations with other countries. Ships which go abroad, however, are instruments of foreign policy and must be treated as such. The United States has no desire to thwart the legitimate aspirations of other nations at sea. We know that shipping is more important to some nations than it is to others. At the same time, we have learned by experience that a sizable merchant marine is necessary to our own security. We try to understand the necessities and the special needs of our friends in other lands; we hope—and I think we have a right to expect—that they will do the same for us.

Due to the peculiar value of ships for purposes of trade and defense, the nations habitually maintain more ships than can profitably be employed. A study recently completed at the Commission shows that for practically the entire period between the two wars the world suffered from a chronic surplusage of vessels in international trade. That condition is bad for everyone. It is bad for the owners and operators of ships; it is bad for the builders of ships; it is bad for the taxpayers in those countries whose shipping requires subsidies to survive; it is bad for foreign trade, diverting into unprofitable competition resources which might be expended for other purposes; it is bad, finally, for the whole delicate machinery of international affairs upon which foreign trade, domestic prosperity, and even peace itself, depend.

We have been fond, in the past, of casting allegations about who was responsible for the overtonnaging of world shipping. It was a futile pursuit, merely causing ill will and contributing nothing to the solution of the problem. I hope that, after this war, we can get together with the other maritime powers and evolve an understanding which will satisfy the vital needs of everyone and at the same time prevent a recurrence of the mutually disastrous rivalries of the not-distant future.

Commercial rivalry based upon free competition is a good thing, making for lower costs and increased efficiency. Commercial rivalry abetted by Government and manipulated for national advantage is not conducive either to amity or good business.

Those of us who are responsible for the development of American shipping recognize these things, and we have taken them into account in our plans for the future. We have no ambition to "hog" the seas. We will play ball with anybody who is willing to play ball with us. All we ask is that our legitimate requirements—which, everything considered, are not unduly large—be accepted by our friends abroad.

Admiral Vickery, Vice Chairman of the Commission, explained our attitude to the British during his recent trip to England. He did this not to threaten our good friends and allies, as some persons seem to think, but to suggest that, instead of going on misunderstanding each other, as we have in the past, we should try to get together in an honest appreciation of each other's needs.

Collaboration won't be easy. It is one of those things which everyone favors in principle but few support in practice. In other words, everybody wants to cut the pie but no one wants to take a small piece. Well, there are only so many pieces. The only alternative to taking smaller pieces than we would like to have is to increase the size of the pie. We have not scratched the surface of our foreign-trade potential. I recommend that we bake a bigger pie.

We have been able to get together on the limitation of armies, navies, and aircraft. I see no reason why we can't do the same thing with merchant ships.

The war, of course, has completely altered the relative positions of the various nations.

We have become the greatest shipbuilders of all time. Our Nation observed Victory Fleet Day on September 27. It was the second anniversary of the launching of the *Patrick Henry*, No. 1 Liberty ship. In the intervening 2 years, our shipyards delivered into war service more than 2,100 merchant vessels aggregating 22,000,000 deadweight tons.

Our shipbuilding program from its inception back in 1938 to the end of 1944, as now scheduled, means a total production of about 50,000,000 deadweight tons of merchant craft. That is two-thirds as much merchant tonnage as existed in the world when Hitler plunged Europe into war in September 1939. Our schedules until the end of next year call for delivery of about six ships a day. That is

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approximately our present level of production. We have capacity to build 20,000,000 deadweight tons a year if materials and manpower are available, and we can continue that pace indefinitely so long as war needs demand.

We have reached the point where we are diverting an increased proportion of our facilities to the building of fast ships. Up to this time the bulk of our production has been of the Liberty ship type—the standardized emergency cargo vessel. To date slightly more than 1,500 of them have been put into United Nations war service.

The Liberty ship is a product for war use. It can be classed with the tank, the fighting planes, and other matériel of war. It was produced to be expendable if necessary. If expended, it had served its purpose. Its production was necessitated because of a definite limitation on the amount of propulsive equipment available for our higher type ships.

Our schedule for 1944 calls for 2,000 vessels. Of these about half—or 1,000—will be fast ships. Present plans call for 339 Victory ships, 345 tankers, 278 standard C types and 38 military types. The present estimate on the Liberty ship 1944 production is slightly more than 800. These schedules, of course, are subject to change to meet military needs. The trend, however, is to a greater proportion of fast ships—ships which can travel without convoy, deliver supplies more quickly to the fighting fronts, serve more effectively in the post-war world.

What are we going to do with all of our ships at the end of the war? That question has been asked and repeatedly debated. I know there are a few economists in this country who can demonstrate to their own satisfaction and on the balance of trade basis that the United States doesn't need a merchant marine. My answer to that is "pecans"—interpret that as you see fit.

The sound position to take is that our Nation cannot survive and prosper without an adequate merchant marine. We cannot meet our world-wide obligations, particularly those we are incurring during this war, without sufficient ships—fast, efficient, modern ships—in operation under our flag. I'd love to see the American people so ship-conscious that they will speak of sarongs as "buttock shrouds."

How many ships can we maintain in profitable post-war service? No one that I know can give an accurate answer to that question today. So my advice is to ask it when you say your prayers. You may get an aswer. Nevertheless, as practical people, we can try out a few of the various proposals made on our Merchant Marine piano and hear how they sound. Undoubtedly we will get a few sour notes but we may produce some harmony.

Take our Liberty ships, for instance. Assume we will have 2,000 of them. What shall we do with them? You who would attempt to solve this problem have several options. The United States may:

(1) Give them away. (2) Sell them. (3) Charter them on bareboat or time basis. (4) Hold them in reserve for emergency use. (5) Scrap them. (6) Place them in an international shipping pool.

The American people have paid for them. They can take their choice. It is my considered judgment that we should have a proper reserve merchant fleet ready for immediate use to meet any contingency. Other than that, my mind is open with regard to the post-war disposition of Libertys.

Let us look next at our standard types, our fast ships, the C–classes, tankers, coasters, etc. There, in my judgment, is the nubbin of the post-war problem. The Libertys will be a problem of disposition; the fast ships will be a problem of utilization. It is always easier to dispose of something than it is to make intelligent use of it. I therefore believe that we should concentrate most of our energies, once victory has been achieved and the peace written, on the scientific use of the modern fleet which we shall have inherited out of the shambles of war. This fleet will give us the greatest opportunity we have had for 75 years to keep our flag flying at sea; simultaneously it will present us with a great opportunity for service to all mankind.

All ships, in my opinion, should be made available for private purchase and private operation. The Merchant Marine Act of 1936 directs us to employ private ownership and operation "so far as practicable." I believe we should stick to that policy.

Of course, if private initiative fails to do the job which the national interest requires, then we will have no alternative but to fall back on the Government. Those now in attendance at the annual Merchant Marine Conference, more than any other group, can help us decide the issue on that score.

One of the knottiest shipping problems of the post-war world will be the disposition of Axis shipping.

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The Axis Powers had the following oceangoing deadweight tonnage in September 1939: Germany, 4,500,000; Japan, 6,300,000; Italy, 3,600,000—a total of 14,400,000. There were at that time approximately 75,000,000 deadweight tons of merchant ships in the world.

What the Axis Nations have lost, what they have built, what they have captured, we cannot know definitely. From information available, however, we can assume figures for discussion purposes. As of July 1, our information is that there were 10,000,000 deadweight tons less of merchant shipping in the world than there were in September 1939. This takes into account all known ship losses and all shipbuilding whether of United or neutral nations or the Axis countries. There will be many more ships sunk. The Axis Powers have not been able to replace on the same scale as have the United Nations, so that the bulk of the net loss in world merchant marine tonnage has been suffered by our enemies.

What the Axis aggressors will be allowed to operate in transoceanic trade after their unconditional surrender—speed the day—is one of our principal problems. We know how they utilized their merchant fleets to implement their aggression. Some of the most deadly of Axis sea raiders were converted fast merchant ships. Particularly is this true of Japan. Those ships were intended as part of the equipment for world conquest.

How much of that type of tonnage are the United Nations going to permit their enemies to operate after this war? If the decision is left to me, it will be very little. Proper control of their merchant-marine operations would appear to be just as necessary to maintenance of future peace as is their disarming and prevention of their rearming.

The big question in this whole picture, of course, is the amount of shipping which we shall be able to operate under the American flag—first in the immediate post-war period, secondly, on a permanent basis. Of the two periods, the latter is the important one. It will be easy going right after the war; there will be plenty of stuff to be moved, and we will have ships to move it. However, this won't solve our problem. We are interested in a permanent, long-range merchant marine. We won't get that kind of a merchant marine out of emergency operations. It is something that we will have to sweat over for the next 20 years. Success in shipping, as elsewhere, calls for energy and vision and hard work. There is no substitute. Not even public support can save an industry unless that industry also has the capacity to save itself.

The amount of shipping which we shall be able to maintain, on a permanent basis, will depend on many factors. Nevertheless, I am sure of one thing—that, come what may, the American people will insist upon a reasonable representation in the routes of trade. When the millenium comes, we can reopen the discussion. Pending that time, I do not see how we can afford to put all our eggs in one basket—especially when someone else is holding the basket.

Fortunately, we have the implements necessary to effectuate whatever policy the people and the Congress adopt. By the end of next year we will have enough fast ships to replace our entire pre-war fleet. We will have plenty of ships for a reserve. We can share ships liberally with our allies, and still have enough to emerge from the war with a new fleet instead of an old one. The worries which lie ahead of us don't distress me one whit. We are going to have a merchant marine, and it will be a newer and a better merchant marine. Nothing can alter that fundamental fact.

Various approaches to the solution of our post-war merchant marine problem have been mentioned. We are probably most concerned with the economic approach. Certainly management and labor, with their war-created industrial giant to maintain, will be dependent in a great degree on our future world trade.

Two post-war economic phases are involved: One, the period of transition from war to peace, and, two, the era or resumption of normal world trade conditions. In the transition period we know we will be called upon to play a leading part in rehabilitation and restoration of much of the rest of the world. That means ships—lots of ships—more ships than our merchant marine ever has required before in peacetime.

In resuming normal trade relationships with other nations, we may well profit by the example set by our great merchandising establishments in expanding and developing their trade. The progressive grocer, the department store, and the successful wholesaler have proved an efficient delivery system—an adequate fleet of trucks—to be a prime essential in building their businesses. If we as a nation support a merchant marine which can render that type of service to other nations, it stands to reason we can profit from the service we render.

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Our merchant marine of a century ago proved that to be true. In the days of the clipper ships, we rendered world-wide service and developed trade which made a great contribution to the upbuilding of our then young nation. For years we have appeared to forget that experience. It is time we remembered.

Obviously the expansion of our merchant marine is dependent to a great degree upon our international trade agreements. It would not be amiss, however, to point out that it is equally dependent upon the support given by the American people themselves. It is regrettable that for many years neither the Government nor the shipping industry has made an intelligent, intensive effort to win that support for our own ships. It is time we did so.

We have not, for instance, as have other maritime nations, impressed upon our importers the desirability of buying on an f. o. b. basis rather than c. i. f. Nor have we urged our exporters to offer their goods on a c. i. f. basis. Encouragement of such policies by chambers of commerce, manufacturers' associations and other business organizations would do much toward increasing the volume of cargo carried under the American flag.

We may well consider the advisability of entering the tramp shipping field and developing that service under United States registry. That post-war phase must be very carefully considered. In 1938 the Maritime Commission, after a survey, recommended against the subsidization of tramp shipping under the American flag at that time. One reason advanced for that decision was that the cost of constructing and operating such vessels would be greater than the benefits derived. The factor of construction cost would not enter into our post-war consideration because the ships will have been built and the investment by the American people already made. The principal question is whether tramp shipping would be the most feasible plan to realize on that investment.

Further study is being made on this and other phases of our post-war problem by an extensive organization set up by the Maritime Commission. The American Maritime Council, with which all of you undoubtedly are acquainted, also is making a detailed survey. It behooves all of us who are concerned with the future of the American merchant marine and our shipbuilding industry to cooperate fully in the making of these post-war plans.

As general subjects which should be brought out for discussion, may I suggest the following: (1) Conference rates and regulations; (2) calssification of ships, including construction rules and regulations; (3) safety at sea: (4) international agreement on plimsoll marks; (5) canal tolls; (6) admeasurement rules; (7) crews quarters; (8) lifeboats; (9) fireproofing; (10) international sanctions; (11) shipping pools; (12) an international committee on shipping; (13) navigation laws; (14) labor laws; (15) signing on and signing off.

Those are studied suggestions. There are other considerations, of course, but a sound post-war program requires careful consideration and the intelligent determination of myriad details. We are headed in the right direction and we are making good progress. There should be no relaxation of effort until we are certain the job has been completed.

There are still many indeterminate factors but we can so plan as to be prepared to meet any contingency. We know we will have the ships and ample well-trained, experienced crews to operate them. Those are our war-created resources. It is up to the ship operators and the Government to determine how best to utilize those resources.

With the return of our merchant ships to private ownership and operation, there also will be a return of full responsibility to ship operators. Successful operation depends primarily on successful management. With the wartime expansion of our merchant marine, operation by the Government became necessary. Under the War Shipping Administration's plan of operation, it has not been feasible to rely entirely upon established berth operators to serve as agents of the Government. The talents and abilities of independent steamship companies have been enlisted to fill the gap. As a result there has been an increase in the number of operators, which means that there will be an increased number of shipowners after the war. Many of these can be classed in the so-called small-business category. Some of them are demonstrating that under war conditions they possess excellent managerial ability. They must be given an opportunity to fit into the post-war picture. In ship operations as well as in shipbuilding, it will be a matter of the survival of the fittest.

Profits from operating ships ought to depend on the risks taken by private operators and on their business ability. That is the democratic policy which has built up the great American industrial structure. We have sought during this wartime Government operation of shipping to keep the agency system from

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becoming too attractive from the profit standpoint. We believe that will have a healthy post-war effect in promoting the return of the industry to private ownership.

Profit limitation at a time like this is not a drastic action. It protects the shipping industry against the stigma of war-profiteering charges. The bulk of high profits goes back to the United States Treasury in taxes anyway.

Speaking of taxes brings to mind the professor who said to his English class, "And now, students, we will deal with syntax." "Heavens!" piped up a thin feminine voice, "is there a tax on that, too?"

The shipping industry, virtually drafted in its entirety into war service, is patriotically making great sacrifices to achieve victory. No other is doing more. The American people owe it a debt of deep gratitude. That obligation should be met by loyal support of the American merchant marine after victory.

Both Government and the public should live up to the intent of the Merchant Marine Act of 1936 and see to it that private enterprise, properly supported and protected, operates American-flag shipping. There should be the minimum of Government regulation essential to safeguarding all interests concerned.

In the minds of some who are not too well acquainted with the functions of the Maritime Commission, there is the belief that it is solely a regulatory body; that the post-war planning activities of the Commission are confined to consideration of what the Government should do to control maritime industry. Fortunately, most of you interested in shipping know that the Maritime Commission is mainly a service organization. During the war, of course, the War Shipping Administration has been set up to exercise regulatory functions which are not at all necessary or desirable in normal times, although they are highly essential to successful prosecution of a war.

The very structure of the post-war planning committee set up by the Maritime Commission is indicative of the service functions that are contemplated for the era after victory. This committee, under the chairmanship of Admiral Vickery and the cochairmanship of Commissioner Thomas M. Woodward, has an extensive program and has named 14 subcommittees for its various phases.

Those subcommittees deal with the following subjects: Industry cooperation; labor cooperation; international and interdepartmental relations; trade routes and port facilities; commerce and economics; shipping and national defense; ships and ship design; shipping finance and insurance; conference and rate structures; shipping and overseas air transport; domestic shipping; tankers; merchant marine personnel; and law and legislation. Analysis of that program will show how little of a purely regulatory nature is involved. The great bulk of it is directed toward service for the shipping and shipbuilding industries.

We have in mind primarily the development of plans which will maintain those industries as active and prosperous components of our future national economy. With thorough cooperation from you, we expect to reestablish and maintain maritime greatness for our Nation.

Take for instance the activities of the subcommittee on ships and ship design under the chairmanship of James L. Bates, Director of our Technical Division. Every ship operator is cognizant of the great advance made in ship design and ship construction in recent years and more notably the technological developments induced by war. But we are not satisfied. We are looking farther ahead in the belief that, despite development of other types of transport, notably of aircraft, the post-war period will bring to our merchant marine an unprecedented business expansion. I thoroughly believe that merchant shipping and transoceanic aviation should complement and supplement one another. There should be no legal restrictions.

Our technicians today are seeking innovations in ship design and construction that will merit for our industry that patronage we shall seek.

In cooperation with other agencies, we are conducting a broad investigation of basic welding projects. This includes experiments with models and full scale vessels. It covers laboratory investigation parallel with those under way by independent organizations. In welding alone the problems under study are welding sequences, welding electrodes, effects of temperature differences, the effects of fatigue, the effect of the time element on stress distribution, and others. All of these are aimed, of course, at the objective of better and sturdier ships.

We have under way special experiments which give us great hope to be able to devise considerable improvement in cargo handling to and from ships. Our war experience is contributing much to this study. The need has been recognized for years and war has accentuated it.

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Further fireproofing of ships and of furniture is being developed so that the ship operator tomorrow may emphasize the element of safety in ocean travel and cargo transport. The fullest utilization of air-conditioning is another objective.

We must keep apace with our potential competitors in the field of transportation. We are studying development of stateroomettes—small, compact staterooms with folding equipment similar to that found on the most modern trains. Experiments in modern methods of feeding passengers to determine how they can best be adapted to ocean travel are being made. These activities are directed toward making comfortable and enjoyable ocean travel available financially to persons of modest means.

Those are but a few of the service functions of the Maritime Commission—functions which we believe quite properly come within the mandate set up by the Merchant Marine Act of 1936.

Our reestablished shipbuilding industry will make available adequate facilities for production or conversion of merchant ships to meet requirements for every trade. No American ship operator need look to foreign fields for any construction or repair service required.

Another service inaugurated by the Maritime Commission and vastly expanded by war needs insures the shipping industry of an adequate supply of highly trained offshore personnel. Recently the United States Merchant Marine Academy was dedicated at Kings Point, Long Island. It will serve our merchant marine as Annapolis serves the Navy and West Point the Army. Thoroughly educated and well-trained officers will be graduated from that academy in such numbers as the industry may require. The United States Maritime Service will train adequate unlicensed personnel. Never before in our history has the merchant marine won such recognition or assistance from Government. Surely these things are indicative of closer cooperation and better understanding between us.

This war has developed also a mutuality of interest between management and labor which is evidenced not only by our unprecedented ship construction but by the inspiring record of performance established by our merchant ships at sea. Their record is one of the truly glorious chapters in the history of this world-wide conflict. Our merchant seamen have paid a greater proportionate toll than any other service in life, hardship and sacrifice. It is truly fitting that not only the Congress but our Navy as well has seen fit to award our merchant sailors appropriate decorations for heroic service.

I have concerned myself, largely, with vessels in foreign trade. Actually, the Commission is giving a great deal of thought to vessels in domestic service. Coastwise and intercoastal operations have long been the backbone of American shipping and I suspect that they will remain so, regardless of developments in the foreign field. The law does not authorize us to subsidize vessels in domestic service. We can assist in other ways, however, notably in the provision of tonnage, and those interested in domestic trade may rest assured that the Commission will do everything practicable to maintain this vital segment not only of the shipping industry but of the whole economy of the Nation.

Ships engaged in domestic service, like those which go abroad, play a vital role in the maintenance of our facilities for defense. Ships in this category were the first to be taken in the present war. They have won their service stripes. They deserve a reward.

We have had many inquiries from the Great Lakes. As you know, we took about everything that could be brought to salt water. Some of these vessels are now being returned. We hope to return or replace the others, and perhaps assist in supplying some new tonnage, when the needs of war have relaxed. On the Lakes, as at sea, the national interest requires the maintenance of efficient, low-cost transportation.

It is not my desire to poiut too optimistically to the post-war period. We are finding now and will continue to find many obstacles to overcome, but we have just reason to be confident that they will be overcome. Right now there are immediate problems growing out of the hell and chaos that is war which brook no delay in solution. All of us are confronted with them every day. But they are being solved. We are headed for victory.

Some of our wartime problems are headaches—the tough, migraine variety. They are stubbornly slow in responding to treatment.

For instance, there is the just-compensation-for-requisitioned-vessels headache. If anyone in the shipping industry or the War Shipping Administration hasn't been the victim of that ailment, he is immune to pain.

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All sorts of cures have been recommended—some of them assuming proportions of major operations. They might have been, as the young doctor said, successful but the patient probably would have died. They put the shipowners in the same spot as the farmer's dog when the hired man decided to cut off the dog's tail—right back of his ears.

The long delay in payment of compensation for vessels requisitioned for title or charter on an agreed basis has worked hardship on the shipowners. It has embarrassed and hampered the War Shipping Administration. The patient understanding and patriotic attitude of the great majority of owners has been most reassuring during War Shipping Administration's long unremitting effort to effect a proper settlement. Particularly is that true in the case of small fishing craft owners who have undergone severe financial stringencies.

We feel that the program we have followed in withholding payment to the shipowners until the situation was clarified not only was sound administration but sound for the industry. We believe that the action shielded both the industry and the Government from criticism for attempting to reach hasty and ill-considered conclusions.

It seems to me that the attitude of the Congress and the public generally was expressed by the able chairman of the Committee on the Merchant Marine an Fisheries of the House of Representatives when he said, and I quote:

"I think that it would have been very improper for the War Shipping Administration to have disregarded that (the Comptroller General's) ruling, whether it was correct or incorrect. I feel that the action of the War Shipping Administrator in that respect was correct. I know that every effort has been made by the War Shipping Administration to solve the problem.

"I think that under the circumstances, under the ruling of the Comptroller General, it was necessary that attention be paid to it, or else why was it there? If the law is not correct, Congress has to change it. In my view the Administrator should be commended rather than criticized."

Most certainly neither the shipowners nor the War Shipping Administration can be justly accused of ill-considered or precipitate action. It is apparent that during what we may quite properly term a cooling-off period, there has been an opportunity for a meeting of minds and a better understanding. If for no other reason than to preserve the integrity of the industry with the Congress and the public, it has been desirable to work this situation out patiently, equitably, and amicably.

Before closing my remarks, I should like to express publicly my deep appreciation to the members of the staff of the War Shipping Administration and the Maritime Commission who have worked so hard under difficult circumstances to make our program a success. We are fortunate to have in all departments—financial, legal operating, and construction—able, tough-minded, and capable administrators who, in many cases at a substantial financial sacrifice, have devoted themselves to their duties and responsibilities. They are inspired only by a desire to serve their country during the emergency. I am conscious and appreciative of their devotion and loyalty. They are entitled to a large share of the accomplishments the War Shipping Administration and the Maritime Commission have produced.

On their behalf I wish to read a tribute which appears in the House Appropriations Committee report on War Shipping Administration appropriations for the fiscal year 1944: I quote:

"The American Merchant Marine is rendering an heroic service and writing an illustrious chapter in this war. When the full history of World War II is written, the programs, the administration, and the functioning of the Maritime Commission and the War Shipping Administration, both through construction and operation, from the top admiral down the commissioned line to ships' officers and seamen and from the civilian directory to the supplementary civilian personnel, will be significant contribution to victory."

That is a tribute earned and deserved by all of America's maritime industry. We are going to need continuance of the fullest measure of mutual confidence in our post-war planning and operations. It is my belief that we have laid an excellent groundwork; that we have recreated a public interest in the merchant marine which is so essential to our success. Never before in our Nation's history has a better opportunity been afforded for maritime development. We have proved to the world that our shipbuilders and ship operators—management and workers together—are capable of coping successfully with any emergency. We have met the challenge of war. We will continue to meet it. Certainly peace can offer no greater challenge. We face the post-war future with confidence.

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Mr. PATMAN. Is there any other question?

Mr. STEVENSON. Admiral Land, can you give us anything on the size of our cargo fleet at present?

Admiral LAND. About 20,000,000 tons, or 2,000 ships. That is, under our definite control. As the United States is one of the major representatives of the Combined Shipping Adjustment Board, in cooperation with British and other United Nations who have merchant marines, we have some indirect control of the United Nations seagoing merchant marine. We have turned over to our armed services in the neighborhood of 5,000,000 tons. And we are producing ships at the rate of about 165 to 170 per month, a tonnage of 1,700,000 tons.

Mr. PATMAN. That is averaging about 10,000 tons.

Admiral LAND. Yes; 10,000 tons per ship is a pretty good thumb rule to apply to these figures.

Mr. PATMAN. That is about six a day, is it not?

Admiral LAND. Yes. Our submarine sinkings as announced by the Navy and by the British have been lower in the last few months than at any period of the war. Therefore, in answer to your question, these numbers of ships are increased by these building numbers each month, less sinkings. And there is a reasonably large, considering all things, amount of production in Canada and a very steady flow of new construction out of the United Kingdom. So, as I say, the tonnage of the world by January, if not before, will be equal to what it was in 1939. All these are estimates, because I want it definitely understood we don't know what the Axis Powers have built. We don't know what they have lost. I am giving you an approximation of the world tonnage.

Mr. STEVENSON. You mentioned about 2,000 ships. Are these steel and wood and concrete ships?

Admiral LAND. They are all steel ships. We have built no wooden ships. We have built no concrete ships, as such. We have built a few wooden barges and we have built and are building a few concrete barges. But no ships whatsoever that I call ships. A few wooden tugs have been built. Full and by, it is an all-steel proposition. The concrete barges have served a very useful purpose. I think it is rather well-known some of them are in Guadalcanal at the present time. They are excellent for storage, if for nothing else. They will take the place of an active ship, and while the program was disappointing as to time and cost, as a matter of insurance, it was completely justified. We have, however, canceled some of our concrete and wooden production because our program of tankers and cargo ships, the net increase, that is accounting for the fewer submarine sinkings, was such as to justify using ships with propulsion equipment in them rather than the barges. Therefore, at the request of proper authorities and review of our program, certain cancellations were made. They are relatively minor, but along lines in the right direction, I think.

As you know, all procurement programs were reviewed, are being reviewed, and will continue to be reviewed, from now on until the armistice—probably a continuing resurvey of the whole procurement program.

Mr. STEVENSON. The cancelation of the contracts you mentioned will already have established a certain amount of surplus commodities, I take it?

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Admiral LAND. In a small way; yes. In the specific things we are discussing, it is just lumber. There is no difficulty in taking care of that. That is one reason we had so much trouble and delay and costs went up. We couldn't get the lumber. That lumber can be utilized. The same is true for the reinforcing bars for the concrete. So we can utilize most of the material available. We have a special committee set up for surplusage. We originated it when we canceled the Higgins contract. This same committee is working on these other cancelations and we only have one policy; it is to try to do justice to the contractor and at the same time safeguard the Government's interest. That is a nice mouthful of words, easy to say, hard to do, but that is the policy of the Commission. We have had fairly good luck in a meeting of the minds. We hope to continue that way. It is probably wishful hoping because there are bound to be some people dissatisfied.

On that line, as you know, there are other agencies and it is my belief that they should be centralized and focused up through some topside organization. But, in my opinion, those of us that you have trusted with funds, with directives, and with programs to procure material, should have enough brains to terminate these contracts or else we never should have been permitted by law or Congress to have entered into them. If you can negotiate a contract and can produce the results desired, the agency that does that ought to be in the best position to terminate it. That doesn't mean we all ought to run our own show and get in watertight compartments. My recommendation to this committee would be that you establish an individual or a board that would determine governmental policies with the approval and sanction of Congress. If you want some gratuitous advice, it might best be solved by the selection of a joint committee from both sides of the Hill, with representatives from the respective committees who could enunciate policies, appoint this over-all superman as director, then let the spade work filter up through in accordance with these policies and have this single man or board of review adjudicate the differences. You did it in the last war with the claims committees. You did it with the Alien Property Custodian. Of course, it is my personal belief the best job is done by giving it to one man. If he doesn't do it, shoot him at sunrise. I don't like town-hall meetings. You didn't ask for that opinion. It is gratuitous.

Mr. PATMAN. We appreciate it. We have had to think about this thing.

Admiral LAND. It is a very disturbing problem. I think that we have to have an orderly procedure and I think the people look to Congress for the directive and the policy. They have to understand the laws, because we have an amortization clause of 5 years, 3 years, and so on, under which many of these things were based. So if we had a directive as to policy, through this joint committee or any way you would choose to do it, then have some czar who would carry that out, the spade work has to be done by the procurement agencies away down the line. You know that as well as I do.

Mr. STEVENSON. I was going to mention about the repairs we discussed some time ago, that this was already consuming considerable time and effort. Have you any idea about what the amount of repairs has been in the last year to these ships?

Admiral LAND. They run into a great many hundreds of millions of of dollars, because we not only repair our own, but there are lend-

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lease repairs. They have been very definitely expanded with appropriations from the Congress and the controlling agency financially has been the Navy. We agreed to that because we thought it was better to have one central control of funds. We have been considered in an advisory capacity as to the distribution of those funds in regard to localities. Maybe 155 to 200 million dollars has been spent in increasing repair facilities in the United States. Maybe it is larger than that. However, that is under the control of the Navy. That means there will be a curtailment. For some period after the war, you are going to have many ships needing not only voyage repairs, but a great many other repairs which will supply the necessary work for most of the repair yards. Then it will taper off and it will become again the survival of the fittest. There is the rumor extant that the large corporations expect to swallow this all up. I discount that. It never has been done. There are many small repair yards located on every coast of the United States that are perfectly capable of competing successfully with the major yards, have competed with them in hard times as well as flush, and will so continue. That is my belief.

Mr. STEVENSON. Are the larger firms doing most of the repair work to these ships?

Admiral LAND. Quantitatively, they are doing about the same percentage, maybe a little greater, than they would in times of peace. All repair yards are busy. Those on the west coast are busy to the limit of their capacity and beyond that. That applies in every place from Washington down to the tip of California. They have been expanded and they are going to be just as busy. In fact, we may have to pull ships away from there. The repair situation at the time of Casablanca was severe in the east, and in the Gulf. There is a let-up there now.

You must remember these ships in war get mighty little attention. They look like the last rose of summer a month after they get out of the shipyard, when they are all nicely painted. In fact, they look worse than that. But they operate. They only get what they absolutely have to have. There will be a lot of conversion work after the war—reconversion work, which will be taken care of by repair yards. I am not stating this factually, I am giving you my opinion and my assumptions. It was true after other wars. Some of these auxiliaries we are turning over to the armed services. After they have returned the troops, brought back equipment, and so on, I don't see how they are going to have much use for them. As you well know, many ships in the armed services in the last war came back to the Shipping Board. The President class, they were all transports, and so on. That will be true again.

Major jobs of conversion, if justified, will take care of these repair yards to a limited extent. Don't forget, gentlemen, all these shipyards are diluted about 10 to 1. Naturally they are all going to come down, I hope, by easy stages and proper stages. I am all for carrying them on, rather than any kind of dole, bread line or anything of that character, which, again, is a gigantic problem that will rest in your laps as to policies.

Mr. PATMAN. Have you finished?

Mr. STEVENSON. Yes.

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Mr. PATMAN. I want to ask you two or three questions that will not take long to answer. What was the tonnage when this war commenced in Europe, Great Britain's as compared with the United States?

Admiral LAND. World tonnage in 1939 was 57,000,000 tons of cargo shipping, deadweight tons, and about 17,000,000 tons of tankers. That of Great Britain is variously estimated from 27,000,000 to 35,000,000. Ours was about 11,000,000. Theirs was easily two to two and a half times as much as ours.

Mr. PATMAN. How does it compare now?

Admiral LAND. We are at the top of the heap right now.

Mr. PATMAN. We are ahead of Britain?

Admiral LAND. I think so.

Mr. PATMAN. I was trying to make a quick mental calculation a while ago when you said we were producing about 165 or 170 ships per month, averaging about 6 per day, as to how many box cars it would take to load those boats.

Admiral LAND. Two hundred to 400.

Mr. PATMAN. Two hundred to 400 to load a 10,000-ton boat?

Admiral LAND. Yes.

Mr. PATMAN. In other words, you make enough to fill about 2,400 box cars a day?

Admiral LAND. Yes.

Mr. PATMAN. Of the cargo you are taking overseas now, do you have any idea what percentage of that is food, what percentage is oil and petroleum products?

Admiral LAND. No, sir. That is all available but I don't know it. I have seen the figures and I can easily get them. That is a fluctuating thing. It varies from month to month.

Mr. PATMAN. Do you have any questions, Mr. Eastwood?

Mr. EASTWOOD. No, sir.

Mr. PATMAN. Thank you very kindly, Admiral Land.

Admiral LAND. Thank you, gentlemen.

Mr. PATMAN. The committee stands adjourned.

(Whereupon, at 12:05 p. m., the committee adjourned.)

EXHIBIT C

UNITED STATES MARITIME COMMISSION

WASHINGTON

ADMINISTRATIVE ORDER NO. 37

SUPPLEMENT NO. 83–A

To All Officials and Employees of the United States Maritime Commission:

There is hereby established in the Procurement Division a Surplus Property Section (hereinafter referred to as the "Section") which shall arrange for the use, sale or other disposition of all property of the Commission which shall become surplus to the construction of vessels and facilities. The Section shall be in charge of the special assistant to the Director of the Procurement Division (hereinafter referred to as the "special assistant"), and shall function as herein prescribed, and in accordance with such instructions and directions as may be issued by the Procurement Division. Commission field personnel shall, when requested, render such assistance in the discharge of the duties hereby imposed as shall be consistent with their other duties.

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The regional directors shall be responsible for maintenance by shipyards of current inventories and the locating, and reporting to Procurement Division, attention of the special assistant, of Commission property on hand in their respective regions which is surplus to the requirements thereof. The Procurement Division, on the basis of consultation with the Director of the Production Division, shall arrange for the transfer of such property to any other region or regions having need thereof. In the event such property cannot be used by the Commission or its contractors, the Procurement Division shall dispose of the same by transfer to other governmental agencies, or by sale, provided that no such transfer shall be made without the Commission being reimbursed therefor, unless such transfer is specifically approved by the Commission. Sales of surplus property shall be accomplished by methods, including advertisements and requests for bids, designed to insure competition therefor among prospective purchasers. No property shall be sold in excess of maximum prices established by the governmental agency having jurisdiction thereof.

Matters of accounting in connection with the disposition of surplus property shall be governed by such instructions relative thereto as the Director, Division of Finance, may hereafter issue.

The Procurement Division shall keep complete records of all disposition of surplus property hereunder and shall make quarterly reports thereof to the Commission.

All prior orders relative to the disposition of surplus property are hereby abrogated to the extent of any conflicts herewith or with any directions or instructions issued pursuant hereto.

By order of the—

UNITED STATES MARITIME COMMISSION,
W. C. PEET, Jr., *Secretary.*

JULY 6, 1943.

EXHIBIT D

JULY 27, 1943.

Subject: Surplus property, Administrative Order No. 37, Supplement No. 83–A.

REGIONAL DIRECTORS OF CONSTRUCTION,
Chicago, Ill.: Philadelphia, Pa.: New Orleans, La.: Oakland, Calif.

GENTLEMEN: The subject supplement to Administrative Order No. 37, a copy of which is attached for your information, established in the Procurement Division a Surplus Property Section. The establishment of this Section is the result of the Commission's determination to quickly and efficiently dispose of Commission property which has become surplus to the construction of vessels and facilities.

The order provides that the regional director shall be responsible for maintenance by shipyards of current inventories and the locating and reporting to the Procurement Division, attention of the special assistant, of Commission property on hand in their respective regions which is surplus to the requirements thereof. The Surplus Property Section cannot make such property available for use in other regions or otherwise dispose of it, unless and until such surplus property is reported to it by the regional directors.

It will be necessary that each regional office be active at all times in locating surplus property and, when located, act promptly to determine whether this property can be used elsewhere within the region. If this work requires additional inventory personnel, the regional office should request the Procurement Division, at Washington, to detail such personnel for the accomplishment thereof.

When the regional office has determined that surplus property cannot be used within its region, prompt report should be made to the Procurement Division, attention of the special assistant, on Surplus Property Declaration Form No. 4589. The information required by this form must be accurately and fully stated. Simultaneously with the transmission of the declaration to the Surplus Property Section, copies thereof shall be sent to the other regional directors.

Property reported to the Procurement Division as surplus must not thereafter be removed without its approval. The regional office should take whatever steps may be necessary to prevent unauthorized removals by contractors or members of the regional staff.

Transfer of surplus property to other Government agencies, or sales shall be made only upon direction of the Procurement Division. The Surplus Property Section will instruct the district purchasing officers of the Procurement Division as to the handling of such transactions.

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Nothing in this letter is intended to affect (1) the monthly reporting of emergency purchases in accordance with Admiral Vickery's letter to the regional directors dated June 1, 1943; (2) the disposition of scrap under existing procedure; or (3) any surplus property other than at shipyards.

This letter and the supplement to Administrative Order No. 37 should be made available to all field personnel having duties to perform in connection with surplus property. Additional copies of both are attached for that purpose.

The Commission has directed the Procurement Division to keep it fully advised with respect to the disposition of surplus property. Moreover, the Division has been instructed to observe closely the functioning of this program in the regions and, whenever necessary, to use its own personnel to make surveys of conditions in the various shipyards for the purpose of reporting to the Commission, and to the Regional Director with regard thereto. However, the Procurement Division cannot assume the preliminary responsibility of the Regional Offices for the continuous locating and reporting of surplus property.

Very truly yours,

C. E. WALSH, JR.,
Director, Procurement Division.

Approved:
H. L. VICKERY, *Commissioner*

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